DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1984

HEARINGS

BEFORE THE

COMMITTEE ON ARMED SERVICES
UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

S. 675

AUTHORIZING APPROPRIATIONS FOR FISCAL YEAR 1984 FOR PROCUREMENT, FOR RESEARCH, DEVELOPMENT, TEST, AND EVALUATION, AND FOR OPERATION AND MAINTENANCE, TO PRESCRIBE PERSONNEL STRENGTHS FOR SUCH FISCAL YEAR FOR THE ARMED FORCES AND FOR CIVILIAN PERSONNEL OF THE DEPARTMENT OF DEFENSE, AND FOR OTHER PURPOSES

PART 3
MANPOWER AND PERSONNEL

MARCH 8, 10, 15, 23; APRIL 7, 1983

Printed for the use of the Committee on Armed Services

U.S. GOVERNMENT PRINTING OFFICE
21-068 O WASHINGTON : 1983

S201-23

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DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 8, 1983

U.S. Senate,
Subcommittee on Manpower and Personnel,
Committee on Armed Services,
Washington, D.C.

LAND, AIR, AND AIR FORCE STRUCTURE PLANS

The subcommittee met in open session, pursuant to notice, at 2:53 p.m., in room SR-232A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senators Jepsen, Warner, Exon, Kennedy, and Bingaman.

Staff present: Anthony J. Principi, counsel; James G. Roche, minority staff director; Willis D. Smith, deputy staff director and chief scientist for the minority; Richard D. Finn and David S. Lyles, professional staff members; Kimberly A. Manning, staff assistant.

Also present: John Campbell, assistant to Senator Warner; Ron Kelly, assistant to Senator Humphrey; Jon Etherton, assistant to Senator Jepsen; John Roddy, assistant to Senator East; Arnold Punaro, assistant to Senator Nunn; Greg Pallas, assistant to Senator Exon; Kathleen Callahan, assistant to Senator Bingaman; and Joe Kruzel, assistant to Senator Kennedy.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator **Jepsen**. By way of explanation for the lateness of the hour, we have had votes and we are having another unexpected debate and vote which is to start in 10 minutes on legislation specifically called the payment in kind, PIK, legislation which deals directly with the State of Iowa.

It is the big farm program for which I am the floor manager of the bill. We have had an emergency meeting to move that along and we succeeded better than we thought we might and we are bringing that up in about 10 minutes. So, I intend to start with this hearing.

We have Senator Bingaman here who, as a freshman, may take over as chairman of the committee very quickly in his life in the Senate. Senator Thurmond is also on the way as possibly is Senator Warner.

In any event, the Subcommittee on Manpower and Personnel convenes today to commence the consideration of the Department of Defense fiscal year 1984 authorization request for active duty, reserve, and civilian manpower. Our hearing on the force structure plans is a logical point of departure for a series of hearings on the military manpower request for fiscal 1984.

We need to review carefully the policy, the strategy, and resource allocation that underlie force structure projections for the 5-year defense plan before addressing specific personnel management issues.

The principal goal of our defense strategy is and must always be deterrence. In order for deterrence to remain viable, it is essential for our adversaries to understand that this Nation possesses the will and capability to fight, if necessary, and to win.

The force structure for carrying out the strategy of deterrence must carefully balance response to realistic threat with the resources available to do so.

The threat we face is growing worse. The Soviet Union and Warsaw Pact continue to improve their military capability in all areas. In recent years they have invested 50 percent more than we have for the general-purpose forces. They have been able to do so by imposing great privation on their people and by virtue of the fact that the salaries for conscripts are 1/100th that which we pay our recruits. Translated into dollars and cents it is about $5.50 a month as compared to our $550 or thereabouts.

That is quite a difference when you multiply it by 2 million or 8 million, whatever figure you want to put in. It would be interesting to see the level of Soviet military investment if Soviet youth received salaries and benefits comparable to our 17- and 18-year-old recruits.

I am confident that by working together and setting parochial interests aside we can provide for a strong national defense.

Gentleman, I am delighted to welcome you to this hearing. Last year's hearing on this subject was enormously helpful to us in better understanding the policy considerations which drive our manpower requirements.

Before we commence with the Defense Department witnesses, I would like to welcome Hon. Fred C. Ikle, Under Secretary of Defense for Policy; Charles Groover, Deputy Assistant Secretary of Defense, Program Integration; Lt. Gen. Fred K. Mahaffey, U.S. Army, Deputy Chief of Staff for Operations and Plans; Vice Adm. Arthur S. Moreau, Jr., U.S. Navy, Deputy Chief of Naval Operations for Plans, Policy and Operations; Lt. Gen. William R. Maloney, U.S. Marine Corps, Deputy Chief of Staff for Plans, Policies and Operations; and Lt. Gen. John T. Chain, Jr., U.S. Air Force, Deputy Chief of Staff for Plans and Operations.

Gentlemen, you may proceed in any manner you wish. Your prepared statements will be entered into the record as if read. Dr. Ikle and all the service representatives may come up.

STATEMENT OF HON. FRED C. IKLE, UNDER SECRETARY OF DEFENSE FOR POLICY, ACCOMPANIED BY CHARLES GROOVER, DEPUTY ASSISTANT SECRETARY OF DEFENSE (PROGRAM INTEGRATION); LT. GEN. FRED K. MAHAFFEY, U.S. ARMY, DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS; VICE ADM. ARTHUR S. MOREAU, JR., U.S. NAVY, DEPUTY CHIEF OF NAVAL OPERATIONS FOR PLANS, POLICY, AND OPERATIONS; LT. GEN. WILLIAM R. MALONEY, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR PLANS, POLICIES, AND OPERATIONS: AND LT. GEN. JOHN T. CHAIN, JR., U.S. AIR FORCE, DEPUTY CHIEF OF STAFF FOR PLANS AND OPERATIONS

Dr. Ikle. Mr. Chairman, I appreciate this opportunity to appear before you as I did last year to discuss the Defense Department policies and the resulting manpower requirements.

You already graciously greeted my colleagues and I will defer detailed questions to these gentlemen in their areas of responsibility.

Last year I described to you the double crisis confronting our Government, the economic downturn and the decline in our Nation's security. We are beginning to see the initial rays of economic recovery as a result of the administration's economic policies.

The second crisis I referred to is the deterioration in the balance of military power between the Soviet Union and the United States. Sadly, the Soviet military buildup has continued almost unabated since I appeared before you last year.

Let me provide you with a few specifics and details of the changes since last year. Since approximately the time of my testimony before this subcommittee a year ago the Soviets have begun flight testing two types of new land-based intercontinental ballistic missiles while continuing modernization of their fourth generation of the SS-17's, SS-18's, and SS-19's.

NEW STRATEGIC BOMBERS AND CRUISE MISSILES

Flight testing has also begun on a new generation of strategic bombers, the so-called Blackjack, similar in appearance, but larger than the B-1. The Soviets also are testing a new generation of cruise missiles with ranges in excess of 1,600 nautical miles.

The first of the U.S.S.R.'s Typhoon-class ballistic missile submarines has test fired MIRV'ed missiles with an 8,000-kilometer range.

Since I testified last year the Soviets have deployed more than 30 additional SS-20 missiles. The U.S.S.R.'s T-80 main battle tank is in the field with Soviet tank divisions in both the U.S.S.R. and Europe adding to the combat capability of more than 190 Soviet ground-force divisions.

The Soviet Union's warfare against the Afghanistan freedom fighters has continued to expand and now involves more than 105,000 Soviet troops and some of the newest Soviet weapons. The aggression against Afghanistan reminds us that the Soviet empire is still expanding. Regions that once were free from the threat of Soviet armed forces has now come under the shadow of Soviet military power.

This expansion is taking place through a chain of military outposts that threaten to outflank our traditional alliances. From

Indochina to the Caribbean the Soviet Union has continued to establish and entrench its military presence. Now the capabilities that our Nation needs to prevent war, a war which we will never initiate, are, however, fundamentally different from those that drive Soviet force development and deployment.

Given these asymmetries, there is no requirement to match the Soviets unit for unit, arms for arms. We are not seeking to match the Soviet Union in every weapon system, as some people foolishly complain. If we did, Mr. Chairman, our budget for conventional arms would have to be 70 percent higher than it is and out budget for nuclear arms would have to be three times as high as it is, for these are the disparities in military investment that exist today.

I believe if the defense budget submitted to Congress is to be faulted, the accusation would rather have to be that it is too low.

Our collective security arrangements, given substance by the mutually supporting assets of our allies, our forward deployments, and our rapid enforcement capabilities, provide a barrier against military threats.

Mr. Chairman, given the limited resources at our disposal, our programs reflect most difficult choices and given the immediacy of the threat and the inherited deficiencies of our force structure, first priority had to be placed on the modernization of the strategic nuclear forces and on improved readiness for our conventional forces. But we have also recognized that defense is a long-term effort requiring constancy in our support.

MANPOWER FORCE LEVELS

Mr. Chairman, I would propose that I summarize now some of the highlights relevant to manpower. The sizes of the forces to deter aggression must be determined by the threat and our national interest and by the defense strategy, by fiscal constraints, and our capability to mobilize and deploy forces in the event of war.

Naturally these force levels present a myriad of missions and tasks that shape the defense manpower requirements. Our annual defense manpower requirements report outlines how the services determine the specific type of manpower, the grades and skills necessary to fill and sustain our forces.

As you know, Mr. Chairman, the Department of Defense relies on an integrated approach to manpower needs that considers four basic categories: Active military and reserve military, civilian, and contract. This approach is designed to provide an optimal mission to perform defense workloads.

In fiscal 1982, for example, about 45 percent of our total manpower was active military, about 31 percent was reserve military, approximately 21 percent was Federal civilian and the balance, 3 percent, was contract support.

In my prepared testimony Mr. Chairman, table 1, are the defense manpower trends for the next 3 fiscal years. The relatively modest growth that is reflected here in active duty strength is primary to serve force improvements.

Let me selectively highlight a few of those. More are illustrated in my testimony. These improvements serve to revamp the Army intelligence units to the more capable combat electronic and intelligence organization.

The activation of an additional Army special forces group to improve our conventional warfare capability.

An increase of 20 ships in our battle force.

Increased manning of Marine Corps combat support units.

Addition of more tactical aircraft, including two more F-16 fighter squadrons on line.

Increased unit training to enhance personnel readiness.

An important element in our deterrent posture is the longstanding policy, going back indeed 30 years, of forward deployments of U.S. forces. These deployments make our alliance commitment more credible and, should deterrence fail, make the defense of allied territory more effective. This strategy has helped preserve the peace in Europe and Korea for 30 years or more.

As you know, however, the fiscal 1983 DOD Appropriation Act restricts the number of U.S. personnel who can be permanently stationed ashore in NATO countries in Europe at the end of fiscal 1983 to 315,600.

Now we are working to keep the number of military people in Europe to a minimum, consistent with our need to have a strong deterrent posture with our allies. However, this restriction would require the Department to reduce its planned NATO strength in Europe by about 5,200 people in fiscal 1983, adversely affecting the capability and readiness of our deployed forces.

STRONG NATO ALLIANCE

Moreover, modest increases in Europe for fiscal 1984 appear essential to meet our NATO commitment and to improve our readiness posture. We are working with the JCS, the services and the U.S. European Command to determine how best to meet the defense interests in this problem area. We have to strongly urge the Congress not to set a European strength ceiling for fiscal 1984.

Senator **Jepsen**. May I interrupt?

Dr. **Ikle**. Yes, Mr. Chairman.

Senator **Jepsen**. In this area, Doctor, in your opinion, does a strong NATO alliance require the forward deployment of over 300,000 military personnel accompanied by approximately 325,000 dependents, 34,000 U.S. civilian employees and 68,000 national employees in the employment of the U.S. Government?

I guess I would make the comparison. How is it we can maintain a strong alliance in Korea with only one Army division and yet we need to have four Army divisions forward deployed in Western Europe with all the accompanying people?

I would like to discuss that.

Dr. **Ikle**. Essentially, of course, the frontline is much, much shorter in the Republic of Korea and the forces directly confronting the Republic of Korea, although formidable, are much smaller than the forces in Europe and particularly the forces that could quickly be mobilized and added in the Warsaw Pact area.

They comprise the Soviet armed forces, the mightiest land forces in the world. So both the geographic and the threat accounts for the difference in numbers, Mr. Chairman.

Senator **Kennedy**. What has been the percentage increase in real growth of military spending by our allies in Western Europe in response to this heightened Soviet threat you speak of?

Dr. **Ikle**. I can give you the detailed numbers in a table.

Senator **Kennedy**. It is an increase of about 2 percent, isn't that correct?

Dr. **Ikle**. The increase now is less than it was in the 1970's.

Senator **Kennedy**. Can you give me the percentage?

Dr. **Ikle**. I think it is about 2 percent. In some cases it is lower. Denmark has hardly any increase.

Senator **Kennedy**. Is it then about 2 percent?

Dr. **Ikle**. Germany is close to 4. France was 4, went down to 3. Italy is around 4. Germany, I think, has less than 2 percent right now.

Senator **Kennedy**. I welcome the opportunity to state them for the record. I understand that the percentage is approximately 2 percent. What I am wondering then is what threat to the interests of our Western European allies do you see that these countries bordering on or close to the Soviet Union fail to see?

Dr. **Ikle**. A partial answer, Senator, is that during the seventies when we had for a while hardly any increase, a decrease indeed for some years, the key European countries had a strong increase. So they have moved ahead more rapidly in that period. They have moved less rapidly now.

Second, they are making contributions in reserve forces and in infrastructure, of course. There is no disagreement about the threat in the alliance. That is discussed regularly in the NATO meetings.

We do want our allies, however, to make a greater effort and greater increase and we exert ourselves diplomatically with them to that end.

Senator **Jepsen**. Senator, we talked about this last year. I asked about the status of negotiations on the master restationing plans. At that time, Doctor, you indicated that budgetary pressures were delaying the final agreement.

Have you made any progress?

Dr. **Ikle**. Yes, Senator, we have made progress. We don't have the final agreement yet. We have had discussions with our German allies about the cost-sharing arrangement. Those have not yet been completed.

Senator **Jepsen**. Thank you.

You may continue.

Mr. **Groover**. I will add one thing to that. It is certainly fair to say we see significant progress with the Germans on the master restationing plan. When we first broached the subject with them, they did not even agree that MRP was basically a good idea. They have now moved off that position.

We met with the Germans here in Washington about 2 weeks ago and extracted an agreement from them to come together and talk about specific cost sharing arrangements after the German election. We expect to meet with the Germans again in April when we will discuss specifics about cost sharing arrangements.

Senator **Jepsen**. Do Sunday's results help?

Mr. **Groover**. We think that it is a positive indication.

Senator **Jepsen**. Is it true that the plan has been scaled back?

Mr. **Groover**. I am not aware that the plan has been scaled back significantly, sir.

Senator **Jepsen**. Thank you.

Go ahead.

RESERVE MANPOWER

Dr. **Ikle**. Again, to summarize the testimony, to save time, let me touch on reserve manpower. It is important to recognize its integral role in our total force policy. In decisions relating to the manpower mission between Reserve and Active Forces it is necessary, to accomplish the missions, to make it our policy to maintain a small and active peacetime force as our global security requirements and our overseas commitments permit.

We have substantially increased our reliance on reserve components for more complex missions and plan to increase reliance on the reserve wherever this is warranted.

Over 20 percent of our total defense manpower is in selected Reserve units of the Army, Navy, Air Force, and Marine Corps. Today total Reserve components constitute 50 percent of our nonstrategic combat capability and two-thirds of our combat support and combat service capability.

To the American taxpayer the defense forces are a barrier since in their absence a much larger force would have to be supported. The primary criterion for choosing between an Active or Reserve unit is the responsiveness required to perform a mission.

We will continue, Mr. Chairman, to examine our missions to determine the Active and Reserve mission that best meets our deployment schedules and readiness requirements in the best interests of our national defense.

For the Selected Reserve Forces the Department is aggressively continuing to build strength from the low levels reached in fiscal 1979. We have continued to target the Reserve program to produce trained strengths in units equal to the wartime requirements by fiscal 1986.

Next, let me touch on the area of pretrained individual military manpower, members of the Individual Ready Reserve, Air and National Guard, Standby Reserve and retired military personnel.

We are continuing several low cost or even cost free initiatives to increase strength levels. While these initiatives help to increase strength in this area, by themselves they cannot increase strength sufficiently to meet wartime requirements.

The President's Military Manpower Task Force concluded that the long-term solution to the shortage of pretrained individuals is to increase the length of military service obligation above its current level of 6 years. The amount of time on active duty or in the Selected Reserve would not be affected, but the time served in the IRR before normal discharge would be extended.

Consequently, we are asking Congress to increase their obligation up to 8 years which would produce the trained manpower needed.

I will pass over, Mr. Chairman, our Federal civilian manpower changes and touch on the last area of our integrated manpower program, namely, trying to get more efficient management and operation.

These efforts include application of management tools such as contracting out of commercial activities, efficiency reviews, inter- and intra-service support agreements and investing in productivity enhancing capital.

Finally, let me turn to the important issue of wartime host nation support. Arrangement for wartime nation support of our allies provide some of the manpower and logistics support needed to conduct and sustain wartime operations. These arrangements are an important part of allied burden sharing. We continue to make real progress with many of our allies in developing and expanding such arrangements.

In particular, we have reached an agreement with the Federal Republic of Germany on a program under which the Germans would provide approximately 93,000 reservists in time of crisis or war to perform the support functions that otherwise would require U.S. troops. It is important to understand that until this landmark agreement with the Federal Republic was concluded, every nation which planned to send reinforcements to Germany was solely responsible for providing support forces for these reinforcements.

In this new arrangement our German allies have agreed to furnish and train 93,000 German reservists whose sole function in case of war would be to provide support to U.S. reinforcements.

Now under the traditional NATO rule that logistics is a national responsibility the United States would have had to constitute its own support forces for these reinforcements either from active or from the Reserve Forces. But under this agreement the United States will share the cost for the arrangement, roughly 50-50 with the German Government.

After the initial implementation period the Germans will pay 60 percent of the recurring costs. Even if the cost of strategic airlift requirements are excluded, this agreement results in a cost about one-tenth of what it would cost to provide the same capability with U.S. Reserves and less than one-fortieth of what it would cost to provide that capability with U.S. Active Forces.

Thus, wartime host nation support is an extremely cost-efficient effective solution. Yet, Mr. Chairman, the continuing resolution authority precludes us from further pursuit of that arrangement.

I believe it would be a great mistake for us not to carry out our part of what is for the United States a good bargain. We have, therefore, included this program in our fiscal 1984 budget and have asked for $9.7 million in our planned fiscal 1983 supplemental request. I encourage your support for this important program.

Let me now conclude and stress again that the Reagan administration defense policies and programs remain firmly committed to reversing the deterioration in our security that has occurred in the past decade and a half.

Mr. Chairman, I welcome your questions and those of the other members of the committee.

[The prepared statement of Dr. Ikle follows:]

PREPARED STATEMENT OF HON. FRED C. IKLE

Mr. Chairman, I appreciate the opportunity to appear before you, as I did last year, to discuss the Defense Department's policies and resulting force requirements that serve as the basis for our proposed programs. Accompanying me are Mr. Charles Groover, Deptuy Assistant Secretary of Defense for Program Integration (MRA&L); LtGen Fred K. Mahaffey, Army Deputy Chief of Staff for Operations and Plans; LtGen W. R. Maloney, USMC, Deputy Chief of Staff, Plans, Polices and Operations; VADM Arthur S. Moreau, Jr.; Deputy Chief of Naval Operations, Plans, Policy and Operations; and LtGen John T. Chain, USAF Deputy Chief of Staff, Plans and Operations. I would like to defer detailed questions in their areas of responsibility to these gentlemen.

Last year I described the double crisis confronting our government: the economic downturn and the decline in our nation's security. We are beginning to see the initial rays of recovery as a result of the Administration's economic and defense policies.

After peaking at more than 20 percent during 1981, the prime interest rate is now down to 10.5 percent. Unemployment, which was at 10.8 percent in December 1982 is down to 10.2 percent—a figure still far too high, of course. But by most measures, the economy is moving upward again.

The second crisis I referred to is the deterioration in the balance of military power between the Soviet Union and the Free World. Sadly, the Soviet military buildup has continued almost unabated since I appeared before you last year.

Permit me to provide you with some specific details: Since approximately the time of my testimony before this Subcommittee last year, the Soviets have begun flight testing of two types of new land-based Intercontinental Ballistic Missiles, while continuing modernization of their fourth generation SS-17s, SS-18s and SS-19s. Flight testing has also begun on a new generation strategic manned bomber, the BLACKJACK, that is similar in appearance but larger than the B-1. The Soviets are also testing a new generation of ground, sea and air-launched cruise missiles with ranges in excess of 1,600 kilometers. The first of the USSR's TYPHOON-Class ballistic missile submarine has test-fired MIRVed missiles with an 8,300 kilometer range. Since I testified before you last year Mr. Chairman, the Soviets have deployed more than 30 additional SS-20 missiles.

The USSR's T-80 main battle tank is in the field with Soviet Tank Divisions, in both the USSR and Europe, adding to the combat capabilities of the more than 190 Soviet Ground Force divisions. The third KIEV-Class aircraft carrier is operational; a fourth is being launched; and development continues on a newer, larger class of aircraft carrier.

The Soviet's warfare against the Afghan freedom fighters has continued to expand, and now involves more than 105,000 Soviet troops and some of the newest Soviet weapons. The imperialist aggression against Afghanistan reminds us that the Soviet empire is still expanding. Regions that once were free from the threat of Soviet armed forces have now come under the shadow of Soviet military power. The Soviet empire has expanded through a chain of military outposts that threaten to outflank our traditional alliances. From Indochina to the Caribbean the USSR has continued to establish and entrench its military presence.

The capabilities that our nation needs to prevent war—war which we will never initiate—are, however, fundamentally different from those that drive Soviet force development and deployment. Given these asymmetries, there is no requirements to match the Soviets unit for unit, arms for arms. We are not seeking to match the Soviet Union in every weapons system—as some people so foolishly complain. If we did Mr. Chairman, our budget for conventional arms would have to be 70 percent higher than it is, and our budget for nuclear arms would have to be three times as high as it is—for these are the disparities in military investment that exist today. If the defense budget submitted to Congress is to be faulted, the accusation would have to be that it is too little.

Our collective security arrangements, given substance by the mutually supporting assets of our Allies, our forward deployments and our rapid reinforcement capabilities, provide a barrier against military threats. That alliance structure must continue to make evident to the entire world that we stand together against all threats to the integrity of any coalition member.

Mr. Chairman, given the limited resources at our disposal, our programs reflect the most difficult choices and given the immediacy of the threat and the inherited deficiencies of our force structure, first priority has been placed on the modernization of all three components of our strategic nuclear systems, and on improved readiness for our conventional forces. But we have also recognized that defense is a long-term effort, requiring constancy in our support.

All our forces, must be governed by a single coherent policy that provides the linkage among our conventional, non-strategic and strategic nuclear capabilities. We base our deterrence policy on the forces necessary to convince the Soviets of the futility of a nuclear or a conventional attack. We try to make sure that the Soviet leadership, in calculating the risks of aggression, recognizes that because of our military capability, there can be no circumstance in which it could benefit by beginning a war, at any level, or of any duration.

A MANPOWER OVERVIEW

Mr. Chairman, to deter aggression the execution of our military strategy requires specific land, sea, and air forces, mobility, and support forces. The sizes of these forces are directly affected by the defense strategy, fiscal constraints, and our capability to mobilize and deploy forces in the event of war.

Naturally, these force levels represent a myriad of missions and tasks that shape defense manpower requirements. Our annual Defense Manpower Requirements Report outlines how the Services determine the specific type of manpower, the grades, and the skills necessary to fill and sustain our forces.

The Department of Defense relies on an integrated approach to manpower needs that considers four basic categories: active and reserve military, civilian, and contract. This approach is designed to provide an optimal mix of manpower to perform defense workloads. In fiscal year 1982, for example, about 45 percent of our total manpower was active military, about 31 percent was reserve military (20 percent Selected Reserve, 11 percent other Reserves), approximately 21 percent was federal civilian, and the balance of 3 percent was contract support.

Given the need to respond to the continuing Soviet buildup we have to meet increased manpower requirements in all categories as shown in Table 1.

TABLE 1.—DEFENSE MANPOWER TRENDS

Manpower category	Fiscal year manpower end strengths (thousands)		
	1982 (actual)	1983 (budget)	1984 (budget)
Active duty military	2,109	2,127	2,165
Army	780	780	783
Navy [1]	553	560	572
Marines	192	195	197
Air Force	583	592	613
Selected Reserve	964	1,002	1,030
Civilians [2]	1,030	1,055	1,072

[1] Beyond fiscal year 1982, accounting for Navy TAR's (Training and Administration of Reserves) moved from the active to the selected reserve authorization structure.

[2] Direct and indirect hires. Excludes employees in civil functions, such as Corps of Engineer civil works, administered by DOD; special student and disadvantages youth programs such as the temporary summer aid program; and National Security Agency employees in accordance with Public Law 86-36.

The growth in active duty strengths are primarily for force improvements. For example:

Conversion of Army heavy divisions to the more robust Division 86 structure;

Revamping of Army intelligence units to the more capable Combat Electronic and Intelligence (CEWI) organization;

The activation of an additional Army Special Forces Group to improve our unconventional warfare capability;

An increase of 20 ships in our battle force;

A new aircraft wing for the USS *Carl Vinson* aircraft carrier;

Increased manning of Marine Corps combat support units;

Introduction of the light armored vehicle and the TOW missile in Marine units;

The addition of more tactical aircraft, including 2 more F-16 fighter squadrons "on line";

The addition of 11 EF-111 tactical electronic combat aircraft;

Continuing growth in the Ground-Launched Cruise Missile (GLCM), the B-1, the MX missile, the Air Launched Cruise Missile (ALCM), the KC-10 and C-5 programs;

Increased basic and initial skill training necessary to support these manpower increases; and

Increased unit training to enhance personnel readiness.

Table 2 shows the active duty military strengths by major program category. We plan modest increases in our strategic, tactical, mobility, and auxiliary forces, with corresponding support increases.

TABLE 2.—TOTAL DOD ACTIVE MILITARY FORCES BY MAJOR FORCE PROGRAM

Program category	Fiscal year end strengths (thousands)		
	Fiscal year 1982 (actual)	Fiscal year 1983 (budget)	Fiscal year 1984 (budget)
Strategic forces	93.5	93.0	94.1
Tactical/mobility	975.3	1,002.4	1,017.0
Land	559.0	568.3	572.3
Air	188.4	195.9	202.1
Naval	189.0	198.0	201.8
Mobility	39.0	40.0	40.7
Auxillary	96.1	100.8	107.9
Support	635.6	637.1	649.0
Individuals	308.2	312.2	308.8
Manning deviations		(18.1)	(12.2)
Totals	2,108.6	2,127.4	2,164.7

Mr. Chairman, an important element in our deterrent posture is the longstanding policy of forward deployments of U.S. forces. These deployments make our alliance commitments more credible and—should deterrence fail—make the defense of allied territory more effective. This strategy has helped preserve the peace in Europe and Korea for thirty years.

As you know, however, the fiscal year 1983 DOD Appropriations Act restricts the number of U.S. military personnel who can be permanently stationed ashore in NATO countries in Europe at the end of fiscal year 1983 to 315,600. We are working to keep the number of military people in Europe to a minimum, consistent with our need to have a strong deterrent partnership with our allies. However, this restriction would require DOD to reduce its planned NATO strength in Europe by about 5,200 people in fiscal year 1983, adversely affecting the capability and readiness of our deployed forces. Further, modest increases in Europe for fiscal year 1984 appear essential to meet our NATO commitments and to improve our readiness posture. We are working with the JCS, the Services, and the U.S. European Command to determine how best to meet defense interests in this area. Accordingly, as stated in prior Congressional testimony on the fiscal year 1984 defense manpower program, the Secretary of Defense, the Joint Chiefs of Staff, the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics; and I strongly urge the Congress not to set a European strength ceiling for fiscal year 1984.

In addressing Reserve manpower, it is important to recognize its integral role in our total force policy. In decisions relating to the manpower mix necessary to accomplish defense missions, our policy is to maintain as small an active peacetime force as our global security requirements and our overseas commitments permit. We have substantially increased our reliance on Reserve Component units for more complex missions and plan to increase reliance on reserves wherever our analyses show it warranted.

Over 20 percent of our total defense manpower is in Selected Reserve units of the Army, Navy, Air Force, and Marine Corps. Today, total Reserve Components constitute 50 percent or our non-strategic combat capability and two-thirds of our combat support and combat service support capability. To the American taxpayer, these forces are a defense bargain, since in their absence a much larger active force would have to be supported.

Currently, for example, Army Reserve Components round-out one-third of our active divisions and provide significant combat support, such as 48 percent of wartime medical units. Navy Reserve units are integral to every wartime mission area of the Navy, including about 88 percent of minesweeping and about 60 percent of the personnel in the military sealift command. The Marine Reserve Components have such wartime missions as providing about 40 percent of Marine tanks and about one-third of anti-aircraft missiles battalions. Air Reserve Forces Components have considerable responsibility for many combat and support missions, including about 65 percent of the air defense for the United States, and about one-half of wartime strategic airlift crews.

The primary criterion for choosing between an active or reserve unit is the responsiveness required to perform a mission. We will continue to examine our missions to determine the active and reserve mix that best meets our deployment schedules and readiness requirements, in the best interests of our national defense.

For our Military Selected Reserve Forces, the DOD is aggressively continuing to build strength from the low levels reached in fiscal year 1979. We have continued to target the Reserve Program to produce trained strengths in units equal to wartime requirements by fiscal year 1986. During fiscal year 1982, about 65,000 personnel were added to the Selected Reserve strength. We plan to increase by another 65,000 during fiscal year 1983 and fiscal year 1984, which will attain 85.4 percent of our Selected Reserve wartime unit requirements. This composite percentage reflects a 95–100 percent fill rate for the trained strengths of Air Components and the Marine Reserve, with Army Components filled at approximately 82 percent of their requirements and the Naval Reserve at 84 percent.

In the area of pretrained individual military manpower we are continuing several low cost or cost-free initiatives to increase strength levels, affecting members of the Individual Ready Reserve (IRR), Inactive National Guard (ING), Standby Reserve, and retired military personnel. While these initiatives help to increase strength in this area, by themselves they cannot increase strength sufficiently to meet wartime requirements. As the President's Military Manpower Task Force found, the most efficient long-term solution to the shortage of pretrained individuals is to increase the length of military service obligation above its current level of six years. By doing so, the amount of time served on active duty or in the Selected Reserve would not be affected, but the same time served in the IRR before normal discharge would be extended. Consequently, are are asking Congress to increase this obligation up to eight years, which would produce the trained manpower needed.

Federal civilian manpower provides support service to the active and reserve military in all of those functions that do not require a military incumbent. DOD civilian workloads include full-time support of the Reserve Forces and depot level maintenance of ships, aircraft, and other weapons systems, and the operations of vital shore-based activities, such as research and development, procurement and supply, and base operations.

In fiscal year 1984, the DOD total of 1,072,200 civilians includes 986,000 direct hire civilians, of which 65 percent are "white collar" General Schedule employees, while the remaining 35 percent are "blue collar" workers. Over half the General Schedule workforce ranked GS–7 or lower at the close of fiscal year 1982.

The increase of 16,000 civilians programmed for DOD in fiscal year 1984 occurs primarily in readiness-related areas such as maintenance support, supply inventory control, medical care, weapons modernization programs, military construction, and sealift activities. The fiscal year 1984 levels, like the fiscal year 1983 levels, do not reflect anticipated conversions to contract.

The last area of our integrated manpower program seeks to achieve more efficient operations. These efforts include application of management tools, such as contracting out of commercial activities, efficiency reviews, intra- and inter-service support agreements, and investing in productivity enhancing capital. The Defense Department is a leader in reducing costs in this way. We are continuing our studies of activities that are not required in-house for national defense, and we anticipate that roughly the same number of conversions will occur as in the past few years—about 3,000 to 5,000 spaces per year. Additionally, our productivity enhancing capital investment program is expected to have an 11 to 1 savings in operations, for every dollar invested.

Finally, wartime host nation support (WHNS) arrangements with our allies provide some of the manpower and logistics support structure needed to conduct sustained wartime operations. These arrangements are an important part of allied burden-sharing, and we continue to make real progress in developing and expanding these with our NATO allies. Past initiatives have resulted in signed Statements of Principle with Belgium, Germany, the Netherlands, Luxembourg, and the United Kingdom that indicate the willingness of these countries to increase their support of U.S. forces in wartime.

For example, in fiscal year 1982, we reached agreement on a program under which the Germans will provide approximately 93,000 reservists, in time of crisis or war, to perform support functions that otherwise would require U.S. troops. It is important to understand that until this landmark WHNS agreement with the Federal Republic was concluded, every nation which planned to send reinforcements to Germany in the event of a conflict, was solely responsible for providing support forces for those reinforcements.

In this unprecedented arrangement, our German allies have agreed to furnish and train 93,000 German reservists whose sole function in case of war would be to provide support to U.S. reinforcements. Under the traditional NATO rule that logistics is a national responsibility, the U.S. would have had to constitute its own support forces for these reinforcements, either from active or from U.S. Reserve resources. Under this agreement, the U.S. will share the costs for the arrangement roughly 50-50 with the German government. After the initial implementation period, the Germans will pay about 60 percent of the recurring costs. Even if the costs of strategic airlift requirements are excluded, this agreement results in a cost about one-tenth of what it would cost to provide the same capability with U.S. Reserves and less than one-fortieth of what it would cost to provide that capability, with U.S. active forces. WHNS is an extremely cost-effective solution, but the continuing resolution authority precludes us from further pursuit of this arrangement. It would be a great mistake for the U.S. not to carry out its part of what for us is a distinct bargain. We have, therefore, included this program in our fiscal year 1984 budget and have asked for $9.7M in our planned fiscal year 1983 supplemental requests. I encourage your support for this important program.

In summary, the Reagan Administration defense policies and programs remain firmly committed to reversing the deterioration in our security that occurred in prior years. The manpower levels outlined in this statement are an essential part for the conversion of Army divisions to a more effective structure, the addition of ships and an aircraft carrier wing to our Naval forces, introduction of new equipment and enhancement of manpower readiness in the Marines, and the increase in the number of tactical aircraft and to begin to employ several new weapon systems in the Air force in fiscal year 1984 consistent with our defense policies. The manpower program outlined in this statement is therefore necessary for our security. I welcome the Congress' views of our defense policies and corresponding manpower program.

Senator **Jepsen**. In the interest of pragmatically and realistically getting to questions from the committee members, I would respectfully like to suggest that the other panel members place their written statements in the record as if read and then if you would like to make any comments at all, if you could just sort of made a 2-minute summary so that we can get to questions.

Dr. **Ikle**. Mr. Chairman, we have a plan we will proceed in this fashion.

[The prepared statements of Admiral Moreau, General Mahaffey, General Maloney, General Chain follow:]

Prepared Statement of Vice Adm. Arthur S. Moreau, Jr., Deputy Chief of Naval Operations for Plans, Policy and Operations, Office of the Chief of Naval Operations

INTRODUCTION

It is a pleasure to appear before this Subcommittee today to discuss Navy Force Structure Plans with you, As Deputy Chief of Naval Operations for Plans, Policy and Operations, I am responsible, among other duties, for the formulation and articulation of the Navy's strategy. To provide an appropriate backdrop to our discussions of Force Structure Plans I would like to set forth for you the Navy's current views on its maritime role in U.S. national strategy.

First of all, let me emphasize that the Navy does not have a strategy all its own. Our maritime strategy is a component of our national strategy, and supports that national strategy.

Because we have vital interests and allies abroad, our strategy is necessarily a forward one. All U.S. armed forces have elements that are placed in forward areas so that we are best able to deter aggression, and if deterrence fails, to fight effectively—in concert with our allies.

The determinants of our maritime strategy, then, are three: the national strategy to support our interests and allies on a global basis; the threat; and our force structure. These three factors determine what we will be able to do without our maritime forces in peace, crisis, and war.

It is clear that neither our national interests nor our alliance structure have diminished in the nearly four decades since the end of the Second World War. In fact, they have increased rather substantially. It would also be clear that the trends with respect to the other two factors—the threat and our own force levels—have been unfavorable. While the threat to our naval forces has been growing, our own force structure has been shrinking. The global presence demands alone on our maritime forces, as dictated by our global interests and dependencies, indicate that our Navy should be large. When those demands are placed in the context of a strategy that is essentially and deliberately deterrence oriented, the pressures for a large, capable Navy increase. I want to underscore that as our interests and requirements have grown over time, and as our margin of superiority over the Soviet Navy has eroded due to their force structure growth in quantity and quality, the importance of a coherent strategy—of being able to use what we have to its utmost advantage—has increased dramatically. We are working hard to formulate the very best strategy for the use of our limited maritime forces.

I would now like to list the strategic requirements placed on our forces in order to highlight for you the factors driving our force planning. At the top of my list is the necessity to maintain a survivable, highly capable sea-based nuclear deterrent.

Of the three legs of the strategic Triad, the sea-based leg is the least vulnerable and, for that reason primarily, the least controversial. Second, we must ensure that access to our overseas sources of critical materials, trade markets, and friends and allies are preserved. Next, our naval forces must continue their presence in all major oceanic areas in order that they be seen as a counter to the growing political economic, and military threat posed to free world nations by the Soviet Union. In this way our forces contribute to regional stability and provide a flexible response in time of crisis as was recently demonstrated in the case of Libya, the Sudan and Egypt. The task of keeping the sea lines of communication to our forward deployed ground forces open and secure lies with the Navy. If required, we must maintain the capability and the readiness to project U.S. or allied power ashore. This capability is also a measure of our deterrent credibility. If other U.S. forces require movement by sea we are obliged to provide strategic mobility for them. Should war erupt, we must maintain the capability to operate offensively on a global basis, capitalizing on the geographic disadvantages of our adversary. Finally, we must be able to sustain a level of fighting in wartime, whether the war is short or prolonged, sufficient to contain initial enemy actions and then to gain advantage and ensure eventual U.S. victory.

With such a list of strategic requirements it is small wonder that our Navy-Marine Corps team is heavily stressed in time of peace, and in the face of a strong thrust by the Soviet Union would be severely tested in time of war. A review of the many tasks laid down for our naval forces to perform illustrates the challange facing us as we strive to meet these many demands with confidence.

The kind of U.S. Navy we must have to implement the maritime strategy of this nation—to maintain credible strategic nuclear deterrence; to be able to prevail in a worldwide conflict with Soviet maritime forces, to respond to "third world" contingencies; and to carry out peacetime naval diplomacy—must incorporate the following characteristics:

For strategic nuclear deterrence—survivable, reliable forces; a combination of range, accuracy, and warhead yield to provide flexible capability across the target spectrum; and communications to support this capability through all phases of conflict.

For worldwide conflict with Soviet maritime forces . . . forces that can win in a three-dimensional environment against a numerous and sophisticated threat; in ocean areas where recognizable battle lines do not exist and the element of maneuver is a two-edged sword—having strong offensive and defensive attributes; where the problem of surveillance is more difficult by an order of magnitude over that in the land environment, reliable, redundant reconnaissance means; and forces whose ultimate aim is to strike decisively from forward positions while also serving to protect rear area sea lines of communications.

For "Third World" contingencies . . . forces in forward deployed positions in a high state of readiness; with the capability for rapid deployment—by sea and air of reinforcing units is of critical importance; capability against a threat that is sophisticated in terms of modern weaponry and, where the presence of non-belligerents can complicate naval warfare significantly.

For peacetime naval diplomacy . . . while forces that are forward deployed serve our goals of deterrence and protecting our interests, they must possess credible and relevant capabilities to project power.

FORCE STRUCTURE PLANNING

In planning a Navy with these characteristics, we acknowledge that we are faced with a principal adversary who already outnumbers us and is sustained by a major naval building program. Recognizing this factor and the contributions of other U.S. military forces and of our allies, we base our force structure judgments and investment strategy on a number of key principles:

Flexibility of naval forces is the keystone to our strategy. Since our force levels do not provide us the opportunity to carry out a naval strategy that permits us to dominate all vital sea areas simultaneously, flexibility is critical to our being able to move from one vital ocean area to another with whatever naval force is required for our needs.

Control of the Air remains an immutable imperative of successful naval operations. It is our continued ability to control the air that guarantees exposing the Soviets to an extreme tactical disadvantage and allows us to position our forces to project power ashore as our strategic needs may dictate.

Effective Distribution of Offensive Power is a further principle underlying our force posture objectives. The greater the degree of distribution, the more we enhance our striking ability, complicate the enemy's defensive problems and dilute the effectiveness of his offensive forces. Our emphasis on the battleship reactivation, our program to install vertical launchers in the Los Angeles class attack submarine, and plans to arm the preponderance of our surface combatants with antiship missiles will assure proliferation of our offensive options. Additionally, the long-range cruise missile represents a major breakthrough in naval warfare, both for striking enemy ships at sea as well as vital targets ashore.

The Force Multiplier principle is a driving element in our investment strategy, one that helps assure us that we can operate successfully in a highly sophisticated and complicated warfare environment. For example, we must dominate electronic warfare, develop survivable surveillance systems, coordinate and integrate information through the employment of effective and survivable command and control systems, and frustrate and mislead the enemy through the most perplexing countermeasures.

The Ruggedness of ship and weapon systems design is important if we are going to operate in hostile environments and survive, remaining functional in the face of battle damage. The characteristic of ruggedness demand redundant, reliable systems and components to ensure that our ships can fight in any combat environment, absorbing damage to themselves if necessary but remaining combat capable after doing so. To quote Fleet Admiral Williams F. Halsey, we must ensure that our ships and aircraft can, "hit fast, hit hard, and, hit often . . ." and I might add, survive to hit again.

Lastly, we seek to optimize the employment of smart Weapons, capitalizing on available new technologies while striving to maintain a technological edge over any potential adversary. More and more of our design effort goes into the employment of smart weapons with high degrees of accuracy and kill probability backed up by the highest quality research.

In terms of numbers, the Chief of Naval Operations has stated a 600 ship Navy—displaying the characteristics and reflecting the key principles I have discussed—consists of the following components: 15 carriers; 4 Battleships; Adequate numbers of Aegis-capable and Aegis-interactive battle group surface combatants; 100 Nuclear-powered attach submarines; 37 Maritime Patrol squadrons; 101 Frigates; Significant quantities of cruise missiles and smart weapons in the above platforms; MAF Assault Echelon-plus-MAB Assault Echelon Amphibious Lift; 31 Mine Warfare Ships; Sufficient number of Support ships; Strategic Sealift to support overall U.S. military capabilities.

Navy force structure planning must also address more than the number of ships and airplanes required for maritime superiority. Of highest priority, we must plan for the readiness and wartime sustainability of the naval forces in being. Unless combat readiness is maintained at a high level from day to day, and unless wartime stocks of munitions, spare parts and medical supplies are in hand and our units are properly manned and trained, we cannot successfully implement the maritime strategy I have discussed. The need to balance the demands of the future against current preparedness is ever present in our planning process. We plan for continued modernization of our weapons to ensure technological superiority over a threat whose sophistication and number continue to grow. In addition, we are seeking to acquire the necessary ships, aircraft and equipment to replace those retiring due to age, while also striving to increase our force levels to meet recognized requirements. We believe that our fiscal year 1984 budget achieves significant and balanced improvement in the categories of readiness, sustainability modernization and force structure growth vital to our goal of attaining and retaining sufficiency.

I wish to emphasize that we do consider carefully and place heavy reliance on the contribution of other U.S. military forces and of our allies in arriving at the capabilities just described. We also judge that the industrial capacity to build and sustain these forces is available, if the business community sees commitment on the part of our government to attain long-term procurement objectives. Stability in force planning bears further fruit in that it tends to result in lower unit procurement costs.

NAVAL RESERVE FORCES STRUCTURE

The capability of our reserve forces—surface, air and support—is an important element in our overall force capability. The Navy has made improvements in Naval Reserve readiness over the past several years and further qualitative enhancements are receiving strong emphasis.

Our program for the surface naval reserve calls for a force of at least 24 modern ASW frigates with LAMPs I ASW helicopters. The first four *Knox*-class frigates were transferred from the active fleet to the reserve program last year and two more will be transferred this fiscal year. More will follow, along with a number of *Perry*-class guided missile frigates. There will likewise be a replacement of the 18 old minesweepers with new mine countermeasures ships, although the final number has not been as yet determined. Naval reserve Shore Intermediate Maintenance Activities are already operating and more will be opening in later years to support active and naval reserve ships.

We are also making significant advances in the capability of our naval air reserve forces. Fiscal year 1984 will see the introduction of the F/A-18 strike fighter, E-2C early warning aircraft and a continuation of the upgrading of the capabilities of the P-3 maritime patrol aircraft in the naval reserve structure.

MILITARY MANPOWER

One of the most important force planning considerations in regaining naval strength is military manpower. The Navy's military manpower, personnel, and training challenge of the 1980's is to man the growing Navy with sufficient personnel with the proper mix of technical and leadership skills. We will expand our force by nearly 50,000 active duty personnel above fiscal year 1983 levels in order to operate the expanded Navy I have described earlier.

The key to success in meeting these requirements is retention of trained personnel. Experience in the last two years indicates that we have, in fact, turned the corner in retaining our skilled personnel. The aggregate of military personnel legislation of fiscal years 1981 and 1982 contained the most significant improvements in military compensation in decades. In the Navy the impact has been striking. The successful start, however, must be sustained with continued quality retention throughout this decade. Although the serious petty officer shortfall will not be fully resolved for several years, virtually all of our indicators—numbers of volunteers and recruiting quality, retention, attrition, desertion, personnel-related readiness—have improved significantly. Sea duty extensions and requests for sea duty are up significantly and show a Navy personnel picture that is on the mend. As the Secretary of the Navy pointed out recently, no ship is currently classified as not combat ready because of serious personnel deficiencies as was the case only a short time ago.

Some manpower areas remain of concern—mid-grade officer and nuclear officer retention are two—but we have had very excellent results from programs recently enacted. Aviation Officers Continuation Pay (AOCP) has been one of our most successful, cost-effective programs not only in terms of improved retention, but relative to aviation safety as well. For the fiscal year 1982 AOCP cost of $38.8 million, we have retained a total of 587 aviators who would otherwise have been expected to leave active service. At replacement training costs of $850,000 for a new pilot and $650,000 for a new Naval Flight Officer, the program has more than paid for itself. Additionally, the experienced aviators retained in the fleet as a result of AOCP have been instrumental in reducing the Navy's aircraft accident rate from 6.66 mishaps per 100,000 flight hours in fiscal year 1981 prior to implementation of the bonus, to 4.44 in fiscal year 1982. But, successful as the bonus has been, the Navy is still short 1172 mid-grade (03-05) aviators. Continuation of AOCP is a critical factor in eliminating this deficiency in our warfighting capability and readiness.

Full funding of the selective reenlistment bonus (SRB) program is also critical in fiscal year 1984. SRB has been used as an effective and flexible means of correcting specific skill shortfalls. Cuts in SRB would result in the loss of career petty officers who would otherwise reenlist, and who must be replaced with additional new recruit accessions at much higher training and replacement costs. A recent study showed that the cost/benefit ratio of one dollar spent on retention provides the same result as $2.60 spent on recruitment and initial training—and the impact on fleet readiness is immediate, not four or five years in the making. The petty officers we stand to lose are those with highly marketable skills that are vital to present fleet readiness. We cannot afford to let them go for any reason, least being inadequate remuneration.

The Naval Reserve reached a Selected Reserve strength plateau of 87,000 in fiscal year 1978. From fiscal year 1979 through fiscal year 1981 there was a constant effort to enhance the mobilization readiness of the Selected Reserve by improving the quality and skill mix of its personnel. In the 1982 DOD Appropriations Act, Congress funded an increase in Selected Reserve strength to 94,000. That program remains effectively level during fiscal year 1983.

The fiscal year 1984 budget requests a growth in the Selected Reserve to an end strength of 99,744. The majority of this growth will be experienced in the medical field with an increase of approximately 3,500 doctors, nurses, and corpsmen. New aircraft squadron augmentation units will mean an additional 900 personnel. There will also be increases in Military Sealift Command personnel, active ship and intelligence activity augmentation plus the manning of Naval Reserve Frigates and supporting maintenance activities. Our current plan is for Selected Reserve strength to approach requirements by fiscal year 1987. To facilitate this, the Navy is expanding non-prior service accessions from 2,000 to 10,000 naval reserve recruits annually starting in fiscal year 1984.

With your strong support the Navy will be able to substantially meet its goals for this vital asset. We will, of course, continue to emphasize manpower quality and combat capability while doing our utmost to achieve authorized numerical strength. Combat, combat support unit augmentation and medical support manning will continue to receive our top priority for manpower allocations.

The recent decision to expand and upgrade the combat capability of the Naval Surface Reserve with the addition of modern ASW frigates is an example of Navy's commitment to a strong Selected Reserve capable of executing its mobilization mission.

CIVILIAN MANPOWER

U.S. Navy civilian personnel play a key role in achieving our force planning objectives with the majority employed in areas directly related to readiness in shipyards, aircraft rework facilities, public works centers, Navy laboratories, and the Military Sealift Command. Civilians also provide essential support in medical, training, intelligence, and communications activities. Navy civilian end-strength requested for fiscal year 1984 totals 312.6 thousand.

Civilian personnel are integral to cost-effective acquisition of ships, aircraft, and weapons systems. They also perform much of the overhaul, maintenance, and repair required to maintain, modernize, and increase the readiness of our existing Navy. In fiscal year 1984 civilian end-strength increases about 3263 positions above the fiscal year 1983 level. Central Supply activity increases are to improve inventory management and provision of supplies to the fleet; military sealift strength is increased to man, manage, and support the ships of an expanded Military Sealift Command; and additional civilians are requested for fleet operating bases and stations. Other increases include staffing for the Supervisors of Shipbuilding, ordnance industrial facilities, and facilities administration and construction oversight.

These increase continue and expand upon the readiness improvements begun in fiscal year 1981 which have resulted in significant reductions in the backlog of ship overhaul deferrals; improved aircraft maintenance; a more responsive supply system; and an expanded civilian-manned fleet of cost effective military sealift support ships.

CONCLUSION

In closing I would like to accent that we have a well thought out strategy which recognizes the global strategic needs and interests of the United States. The Navy is committed to developing a force mix which gives us the confidence we need in fulfilling our strategy and, through responsible leadership and management, ensures that the precious national assets entrusted to us are optimally utilized. the recognition of vital maritime tasks and the national concensus to provide the capabilities required to carry them out successfully has been gratifying. The course set by the Administration and so staunchly supported by the last Congress to rebuild the Navy must be maintained. We cannot afford to slacken the pace toward the goals we have set. As the CNO testified recently: "The cost of failure would far exceed the cost of prudence."

PREPARED STATEMENT OF LT. GEN. FRED K. MAHAFFEY, DEPUTY CHIEF OF STAFF FOR OPERATIONS AND PLANS, U.S. ARMY

INTRODUCTION

Mr. Chairman and members of the subcommittee: I appreciate this opportunity to appear before you to discuss our Army, to assist in your review of the Army's fiscal year 1984 budget request and to clarify issues regarding the Army's contribution to the national defense posture.

Strategic considerations require me to begin by stating that in all categories the evolution of the Soviet threat has been dramatic. From the single dimension, underequipped, although massive, land Army of the fifties, the Soviets have developed balanced, supporting sea and air forces to complement their modern land component which is now fully mechanized with quality equipment. Additionally, the Soviet Union has increased its capability to project power and influence through the use of client states and the development of bases in friendly countries. Although the Soviet Union remains primarily a continental land power, it has seized the opportunity to exploit world conditions in its bid for global dominance. It is apparent that this comprehensive application of Soviet resources in support of their strategic interests will not diminish.

Growing Soviet assertiveness has combined with the changing international environment, the worldwide competition for resources, and third world conflicts and regional instabilities to create more numerous and diverse threats to the vital interests of the United States. The growth in Soviet military capabilities, Moscow's use of surrogates, the end of U.S. nuclear superiority, and the proliferation of nuclear weapons continue to complicate the development of U.S. national security policy. The result is a situation where national security decisions must be made among limited feasible options and in the absence of well-defined advantages and disadvantages.

THE STRATEGIC DIRECTION

Confronting Soviet military ambitions requires a credible strategy, underwritten by quality land forces. The national concern for our military posture and the administration's interest in restoring America's strategic initiative are manifested in the U.S. national military strategy. This strategy is comprehensively expressed in the posture statement of the Secretary of Defense. The strategy represents a coordinated set of actions developed to assure freedom and prosperity for our nation by securing our vital national interests under a broad range of conditions as well as protecting our allies.

Our strategy is essentially one of deterrence and defense. It is a strategy that requires an Army with the responsiveness, firepower and versatility to terminate a conflict quickly, at the lowest level of conflict possible, and on terms favorable to ourselves and our allies. The key features of U.S. strategic direction provide a basis for our force development policy.

CURRENT STRATEGIC DIRECTION

- EXPANDED GLOBAL CAPABILITY
- DEMONSTRATED RESOLVE
- READY RESPONSE TO AMBIGUOUS WARNING
- PREPARED FOR INDETERMINATE LENGTH OF HOSTILITIES
- IMPROVED COLLECTIVE SECURITY ARRANGEMENTS

Our collective security arrangements are the cornerstone of U.S. defense policy. In this regard, NATO embodies the largest investment of U.S. military assets. The increased potential for conflict outsides Europe, however, as well as the diffusion of power among third world states requires the flexibility and strategic mobility necessary to project U.S. military power globally.

A strong military capability and demonstrated U.S. resolve are essential to a successful deterrence policy. These responsibilities, by definition, emphasize military readiness (manpower, training and equipment) and the creation of a Soviet perception that the U.S. is capable and willing to use force to protect its interests.

There is also a need to be able to respond rapidly in the event of a crisis. This requirement demands strong intelligence capabilities to permit timely decisions. Our response to ambiguous warning must be quick, sustainable until the situation is resolved, and repeatable every time warning indicators demand a response.

The United States must also be prepared for a conflict of indeterminate length. It is important that we possess the capability to stop the Soviets and other potential opponents on the last day of a conflict as well as on the first day. This challenge requires an increased investment in mobilization assets and war reserve stocks.

We cannot, however, do it alone. The global security burden requires that our allies view their own interests more broadly than in the past, i.e., European and Japanese dependence on Southwest Asian oil. It also demands that the United States continue to develop regional security linkages to share these mutual interests more equitably. With few exceptions, the United States must depend on the strength of our coalitions and regional alliances to ensure security and stability of the free world and to achieve its national security objectives.

The erosion of the strategic nuclear balance, coupled with current strategic requirements, results in greater reliance on conventional forces by the United States and allies to deter the outbreak of war. Strong conventional forces provide a capability to successfully respond to Soviet aggression without early dependence on nuclear weapons. The need for conventional forces is also a result of the continuing incidence of low intensity and unconventional conflicts throughtout the world and the need to be prepared to conduct special operations missions, to include counterterrorism.

To meet the Soviet challenge, the United States must field forces able to function across the conflict spectrum, in diverse climates and at great distances from its shores. These forces must be capable of operating in a world which has witnessed the rapid proliferation of modern weaponry. Building and training forces to meet this challenge is the focus of our Army force planning process.

THE FORCE PLANNING PROCESS

Army force planning is a three-phased process. It first defines relatively unconstrained force requirements to execute the national military strategy with reasonable assurance of success. This force provides a baseline from which we can measure risk in the development of a resource-constrained force. To determine this constrained force, we develop force alternatives for the future that are within expected fiscal and manpower levels. The selected alternative provides force objectives which reconcile, as much as possible, the force requirements with projected resource availability. The decision process explicitly recognizes the risks inherent in each of the affordable alternatives. The force structure developed in this process is the result of detailed study and analysis of the threat, potential battlefields and projected warfighting capability. We also analyze our current organization, equipment, tactics and training to determine if changes are required.

Wartime force requirements are different from our peacetime needs. In a conflict, force development would be based upon the need for military forces to engage the threat and fully execute the established strategy. In peacetime, our forces are based not only on the military requirements for deterrence, but also upon affordability, political considerations and peacetime demands. With respect to the latter, Congressional support for increased civilian authorizations has allowed us to fulfill many vital functions without diverting soldiers—a significant improvement to our readiness posture. Although the requirements for deterrence are difficult to quantify, we believe that such a policy can succeed only if our opponents perceive that the U.S. possesses the capability to permit a timely and successful response to aggression. In other words, deterrence is only effective if the U.S. and its allies are perceived as possessing a strong and credible warfighting capability.

FORCE DEVELOPMENT POLICY

The mission of the Army is to support the national military strategy and to defend U.S. interests anywhere and in any environment. Our responsibility is to organize, equip, and train for prompt and sustained combat across the full spectrum of conflict from counter-terrorism through nuclear and chemical warfare. The force we field must credibly deter, support the strategy of flexible response, and, if deterrence fails, win the first and last battles. To accomplish this mission, the Army must have an effective balance of combat and support troops, and of Active and Reserve forces, and it must be well-trained and equipped. The Army mid-range program, the first year of which is presented in this budget, has been designed to provide that force.

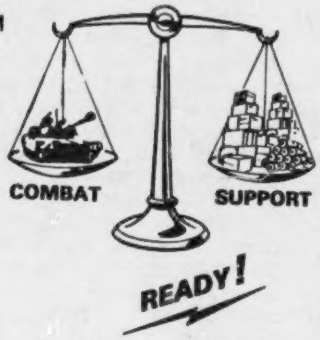
The force of 16 active and nine National Guard divisions provided for in our fiscal year 1984 budget can meet the minimum essential defense needs of the Nation. Our Active divisions provide forces for peacetime forward deployments and for worldwide rapid reinforcement. The National Guard divisions provide the necessary combat reinforcement that allows us to sustain combat until total mobilization creates additional forces. The Army National Guard and Army Reserve provide other combat forces, such as separate brigades and armored cavalry regiments. Of critical importance, however, are the combat service support forces provided by these Reserve Components which are necessary to sustain the fighting elements in wartime. Since the majority of our support forces are in the Reserve Components, some level of Reserve Component call-up would be necessary for us to deploy an adequately supported force for even a small regional conflict. Host Nation Support agreements with our allies complement these support forces and strengthen our combat forces in certain theaters. The Active and Reserve Components are inextricably linked in the Total Army.

The Army's force planning guidance provides for a force that is flexible and is tailored to meet simultaneous threats across the spectrum of conflict. This force will be strategically deployable by air or sea, technically competent, and able to defeat forces armed with current and future technology on an integrated battlefield (involving nuclear, chemical and electronic warfare). It will be tactically sound with a capability to attack or defend and, most importantly, win the land battle. However, sufficient responsive strategic airlift and sealift are required to deploy Army forces in time to influence the outcome of that battle.

Complementing the Army's new thrust is a new doctrine, called the AirLand Battle, which represents a major doctrinal milestone. The unifying concept of the doctrine is defeat of a numerically superiof force. AirLand Battle doctrine synchronizes the battlefield tasks and means of support across the armed services to magnify the individual effects of weapon systems. The doctrine calls for the United States to attack enemy vulnerabilities with the full potential of its resources and technology to allow our forces to take the offensive quickly. We intend to stop the enemy's first echelon divisions in the close-in battle. To do this, ground and air forces will counter the enemy's numerical advantage with superior firepower and mobility. Simultaneously, deep attacks on enemy follow-on echelons will delay, disrupt, or destroy them to prevent reinforcement of their first echelon. This combination of a close-in and deep battle will create opportunities to gain the initiative and take the offensive. The AirLand Battle doctrine will better integrate technology and the capabilities for fire and maneuver of all Services. It also recognizes the intangible aspects of warfare by its emphasis on deception and surprise.

ARMY FORCE PLANNING DIRECTION

- PROVIDE FORCES FOR GLOBAL RESPONSE
- DEVELOP FORCES FOR THE FULL SPECTRUM OF EMPLOYMENT
- PROTECT ESSENTIAL MODERNIZATION
- REDUCE HOLLOW ARMY
- PROVIDE ADEQUATE SUSTAINABILITY LEVELS FOR ALL THEATERS
- MAXIMIZE RESERVE COMPONENT PARTICIPATION
- IMPROVE MOBILIZATION CAPABILITIES
- IMPROVE INTERSERVICE COOPERATION



GREATER FORCE CAPABILITY

The fiscal year 1984 budget meets our force planning direction. It provides a force with a greater global fighting capability. It continues the U.S. commitment to NATO with four forward deployed divisions and the capability for their rapid reinforcement. We are also improving the deterrent and warfighting capabilities of these forces. We continue to provide one forward deployed division in Korea. In addition, the Army maintains a multi-division force for rapid deployment to other areas where U.S. interests are threatened. As we improve the Total Army, we are balancing our force structure to provide lighter divisions with better tactical mobility and improved firepower, while still satisfying the continuing requirements for heavy divisions.

Our armored and mechanized forces are designed to fight the Soviet's heavy forces and their increasingly mechanized surrogates. They provide mobile, survivable firepower and require considerable support to sustain combat operations. They are the most difficult forces to deploy. Light forces (infantry, air assault and airborne) provide flexibility for rapid strategic deployment to any part of the world. Light infantry units can operate in all environments and are more easily deployed, but need reinforcement to conduct operations against armored and mechanized forces. Air assault units possess tremendous tactical maneuverability and are capable of high-tempo operations; however, they require extra logistical support to maintain this operational capability. Being light, they are vulnerable in some environments. Airborne units are designed for strategic force projection. They require the least amount of initial support but cannot sustain combat operations without augmentation.

The Army also provides Special Operations Forces such as ranger battalions, special forces groups, and civil affairs and psychological operations units for employment where the use of heavier conventional forces would be inappropriate or infeasible, or where the situtation dictates that we economize on the use of such conventional combat forces. These Special Operations Forces may well be employed to complement our conventional forces in a force multiplier role. The Army budget request enhances our Special Operations Forces and, thus, our capability for providing security assistance to our friends and allies.

EQUIPPING AND MODERNIZING

To maintain our combat capability against a numerically superior force and improve our readiness posture, the Army is planning and programing for essential modernization.

Rapid, continuing modernization is essential to readiness. We must ensure that our soldiers train to fight with equipment that is not inferior to that which the enemy will use on the battlefield. Thus, it is critical to continue to provide our soldiers with the most capable armor, infantry, artillery, air defense weapons and supporting battlefield equipment. Modernization and readiness go together. Readiness remains the hightest priority, but modernization improves readiness posture and the two are inextricably linked.

The Army is short items such as wheeled vehicles, support equipment, and command, control and communications equipment. These items are necessary not only to bring Active and Reserve Component units to full strength but also to fill war reserve stocks.

Modernization impacts on maintenance, training, and attracting and retaining quality soldiers. Training on equipment that has exceeded its useful life requires exorbitant maintenance and is discouraging to soldiers working at what is quickly perceived as fruitless activity. On the other hand, my recent experience is that units fielding new equipment are realizing benefits across all areas such as soldier enthusiasm, maintenance, training, and, in general, readiness.

To alleviate the shortfalls critical in the Reserve Components, we have adjusted our resource prioritization process. Because later deploying forces have lower priorities, where practicable the Army is increasing Reserve Component participation in higher priority missions by revising operational assignments. Thus, priorities for distribution of assets is raised accordingly. In addition, the Army is applying more discipline in the prioritization process to alleviate systemic problems. Adjustments have been made to assign a priority to Reserve Component round-out units commensurate with their Active Component affiliates. Those first to fight, whether Active or Reserve Component, will be equipped first and maintained in a high priority operational status.

The Army is also modernizing the organizational structures for its heavy (mechanized and armored) divisions to capitalize on the capabilities of new systems and doctrinal concepts. Our revised structures, which we refer to as "Division 86/Army 90," will provide smaller, less complex basic fighting units which are easier to control, more mobile and, simultaneously, more lethal. These new designs assemble human resources within affordable manpower constraints, maximize firepower forward and improve the capability for combined arms maneuver. Conversion began in fiscal year 1982 for units receiving the Abrams tank and will continue through fiscal year 1992. Armor and infantry companies will increase from three to four per battalion. An armored division will have six armor battalions and four mechanized infantry battalions. A mechanized infantry division will consist of five of each type maneuver battalion. Artillery, air defense and aviation assets will be increased; and their ability to support forward units will be enhanced. This transition will be accomplished without a significant increase in the division's required active personnel strength. In conjunction with conversion to the new designs, unit levels of fill will be raised from current reduced manpower authorizations to full wartime authorizations.

We are also examining ways to improve our light forces with new operational concepts and high technology systems as part of our High Technology Light Division efforts. This is a force development program designed to exploit "high-technology leverage" and to enhance the Army's global capability to deploy rapidly, while simultaneously improving combat power and tactical mobility characteristics. The effort will produce and validate current AirLand Battle employment concepts, organizational structures and materiel requirements for light divisions. The 9th Infantry Division at Fort Lewis, Washington has been serving as the High Technology Test Bed (HTTB). Since its inception in June 1980, the HTTB has made excellent progress towards fielding a prototype light division by fiscal year 1986. This new light division, called the High Technology Light Division (HTLD), will have its combat power significantly enhanced by high technology, while maintaining the strategic deployability and sustainability of a light infantry division. This highly capable unit will also possess the ability both to successfully engage a heavily armed opponent at the high end of the conflict spectrum as well as function at the lower end of the conflict spectrum against light forces. To further enhance this program, the Army will expand its scope and functions. Using the current HTTB organization, the Army intends to establish a Development and Employment Activity at Ft Lewis, WA. This organization will continue to develop the HTLD but will also examine and evaluate the qualitative and quantitative impacts of high technology on the employment and effectiveness of all light combat units.

Our programs for equipping the force and improving the manning levels of our units are helping solve the problem which our Chief of Staff has described as a "hollow Army." Our overall budget is aimed at improving capability without substantial increases to the size of the force. As important as it is to reduce the hollowness of the Army, this reduction should not be achieved at the expense of the force structure. Any reductions in force structure or end strength would make it extremely difficult to accomplish our objectives, much less maintain the capability we currently possess, and would send an adverse signal to our Allies concerning the U.S. commitment to a strong defense.

To remain within Active Army resource constraints, we have made a major change in our treatment of manning authorizations for divisions. Rather than delete individual positions from the authorization documents of every unit in a division, we have removed entire units which would be replaced upon mobilization by Reserve Component round-out units or units created from mobilized assets. In addition to ease of management in wartime, whole units are cohesive and more easily trained and deployed than individuals.

SUSTAINABILITY

The provision of adequate sustainability is a fundamental element of the Army program. We are improving war reserve stock levels for all theaters and achieving an appropriate balance between combat forces and the support structure.

INCREASING THE ROLE OF THE RESERVE COMPONENTS

The Army leadership is unequivocally committed to the Total Army concept. It is simply not feasible to have in peacetime a standing Army large enough to answer the nation's wartime military needs in today's uncertain world. An Active Army of the size required would be prohibitively expensive and an inefficient use of national resources. The implementation of the Total Army concept is readily apparent in our policies.

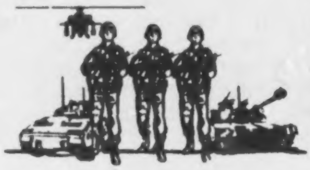
The Army plans to continue to increase Reserve Component participation thorugh greater use of round-out elements for the Active Army and enhancements in Reserve Component readiness. By round-out we mean Reserve Component units that upon mobilization would flesh out the structure missing from our active divisions. Simultaneously, we are taking steps to assure that the Reserve Components are ready to function fully as an integral part of the Total Army.

Not all Active Army divisions are fully structured; the missing forces come from National Guard and Army Reserve round-out units which join their Active Army commands upon mobilization. Overall, the Reserve Components make up 51 percent of the Total Army structure. They constitute 51 percent of the combat capability, 69 percent of the combat support capability and 67 percent of combat service support capability. In addition, 219,000 Individual Ready Reservists provide the fillers for both Active and Reserve Component units. The Army Reserve bears the brunt of the stateside post-mobilization training mission. Thus, all of the Army's post-mobilization training divisions and brigades are U.S. Army Reserve commands. Post-mobilization missions are assigned to the most capable, available unit irrespective of whether it is in the Active or Reserve Component. Priorities for receipt of all resources—equipment, supplies, services and, for the Active Component, personnel—are determined primarily on the basis of assigned mission without regard to component. Thus, some National Guard units with high priority round-out missions are receiving modern equipment before some Active Component units.

As a part of the Total Army, the Reserve Components contribute significantly to early-deploying forces. For example, there are over 450 units, both Army Reserve and National Guard, which under current approved plans would be deployed in less than 30 days in support of NATO contingency. The units cover the whole spectrum of force capabilities and include combat brigades and battalions that round-out Active divisions, non-divisional combat units, combat support units and essential combat service support units. It should also be noted that there are Reserve units planned for deployment as part of the Rapid Deployment Force. Initiatives to improve the capability of the Reserve Components are a critical part of this budget.

INCREASED ROLE OF RESERVES

- MORE DIVISIONS THROUGH BRIGADE CONSOLIDATIONS
- MORE ROUND-OUT BRIGADES
- REALIGNMENT OF SUPPORT UNITS BETWEEN ACTIVE AND RESERVE COMPONENTS
- PROPORTION OF COMBAT SUPPORT AND COMBAT SERVICE SUPPORT IN RESERVE COMPONENTS
- USE OF ARMY RESERVE TRAINING DIVISIONS DURING SUMMER SURGE
- INCREASED FULL-TIME MANNING
- TRAINING AT NATIONAL TRAINING CENTER
- WARTIME STRENGTH AUTHORIZATIONS
- SPOTLIGHT ON RESERVE COMPONENT EQUIPMENT NEEDS



The Active Component cannot meet the threat alone; therefore, the Reserve Components are vital to accomplishing the strategy. Although one-third of our divisions are presently in the Army National Guard, beginning in fiscal year 1984, the Army is combining six National Guard separate brigades into two additional divisions to increase effectiveness and raise combat potential. In addition, another National Guard round-out brigade will be designated from existing Reserve Component separate brigades in fiscal year 1985. Continental United States-based mechanized infantry and armored divisions will each have at least one round-out maneuver battalion.

We are also transferring some combat support and combat service units and equipment now in the Active Army, but not needed very early in a conflict, into the Reserve Components in order to provide some critical early-deploying support forces in the Active Component. As stated earlier, about two-thirds of the non-divisional combat support and combat service support units are in the Reserve Component. This level is not optimum, so the Army is examining alternatives to reduce this relative contribution by increasing Active Army support structure. The augmentation of the Active Component training base by Army Reserve training companies during the summer surge training season not only solves a problem but also gives realistic "hands on" training to the Reserve units.

Increased full-time manning of Reserve units will allow for better administration, planning and preparation so that the available time can be used fully for training, rather than administrative chores. The scheduling of Reserve units at the U.S. Army National Training Center, Fort Irwin, California provides dramatically improved training opportunities with a resulting increase in readiness. The provision of wartime strength authorizations in high priority Reserve Component units makes them more prepared to respond quickly in an emergency. Finally, we are keeping Reserve Component equipment needs in the forefront of our modernization efforts because such equipment is essential for their timely and successful integration with the Active force in wartime.

READINESS

The Army has become a more ready force in the past few years. This improvement is a reflection of readiness being a top priority plus the support provided by Congress. Although many major improvements in maintenance, manning and training, equipping, and modernizing of the Total Army have been realized, significant problems remain which necessitate your continued support.

We are concerned about the enhancement of equipment inventories in the Reserve Components. While the Army has planned for procurement of standard and modernized equipment to reduce some of the Reserve Component shortfalls, we anticipate that the benefits from the High Technology Test Bed will be introduced into the Reserve Components at an early date.

Adequate modernization is essential to raising our equipment operating rates and to improving combat capability. Assurance of a moderate, stable modernization program will allow us to improve readiness through the redistribution of displaced equipment to fill the shortfalls we have in the equipment inventories of lower priority units. We continue to plan for the integration of new equipment with our current but still highly capable equipment in a "high-low" technology mix. I can speak from experience as commander of the 3d Infantry Division (Mechanized) during the recent REFORGER 82 exercise that the equipment we are now fielding does make a difference. The superb performance and striking capabilities afforded by the Abrams tanks, the Blackhawk helicopters and other modern equipment gave us the ability to maneuver and fight at speeds and distances that truly provide a new dimension to combat capability.

Further, improvements in mobilization capabilities continue to be stressed through programs in support of the industrial and training bases. In addition, steps are being taken to improve inter-Service cooperation, a key aspect of force readiness ranging from AirLand Battle doctrine to strategic mobility.

SOLDIER MORALE

Finally, the Army is establishing a New Manning System. This New Manning System is an innovative management process which will increase combat effectiveness in the Army by enhancing cohesion in small combat units and developing a greater sense of esprit and belonging among all soldiers. The concept is based on the precepts of personnel stabilization and unit replacement, operating within the framework of a new U.S. Army Regimental System.

Under the COHORT (cohesion, operational readiness, training) concept, companies are formed by organizing a cadre around a specifically recruited group of first-term soldiers who are then stabilized for a three-year unit life cycle. The unit serves a portion of its life cycle in the continental United States and then deploys overseas. To meet long-tour overseas requirements, units will spend 18 months in the contiguous United States and 18 months overseas (Europe, Panama, Alaska, Hawaii). Korea-bound units will spend 24 months in the contiguous United States and 12 months in Korea. Stateside and overseas battalions are linked for the purpose of deploying COHORT companies from the stateside battalion to its linked overseas battalion on a recurring schedule. At the end of a COHORT unit's life cycle overseas, it is replaced by another COHORT unit. COHORT units are not additions to the force structure. They are existing units which are stabilized and deployed under New Manning System policies.

The U.S. Army Regimental System provides for career-long affiliation of a soldier with a specific regiment. The goal is to enable a combat arms soldier to serve his troop duty in one of the units of the regiment. A regiment is defined as a grouping of usually four battalions with like organizations and equipment. The Regimental System is being combined with the COHORT system by redesignating battalions so that the COHORT-linked units in each grouping of battalions bear the same regimental color. Soldiers then will receive recurring stabilized assignments to units of their regiment. The Regimental System thus groups existing battalions with a common designation but does not change the existing brigade-based tactical force structure.

The New Manning System is currently being implemented in conjuction with a "fix-as-you-go" evaluation focused on sustainability, affordability, manageability and troop acceptability. Presently, there are 37 company-sized COHORT units in existence, five of which have already been deployed to Europe. By fiscal year 1985, the number will grow to approximately 80 units. While it is too early to assess the overall effects of the Regimental System, initial results of the COHORT concept appear favorable.

CONCLUSION

The Army organization is built around capable, trained people and modern systems. People comprise our maneuver and fire support forces; the command and control, intelligence, supply, transportation, maintenance and administration units; the special theater forces; and the general support forces. These dedicated people—Active, Reserve and Civilian—make the Total Army a viable concept. Our soldiers deserve the best weapons we can provide. Highly capable, modern systems are essential to allow all our people to effectively perform their tasks and provide the combat power required to accomplish the missions expected of the Army. These components are the key elements in the Army fiscal year 1984 budget.

In summary, the Army fiscal year 1984 budget represents our considered judgment as to the most appropriate use of available resources to maintain strong Army forces. The force it provides has been tailored to provide the widest range of capability options possible, at the least cost to the Nation. Although problems and risk remain, it is the best balance of combat to support forces, Active to Reserve Components, and military to Civilian Components that is achievable within constraints. The programs which constitute this budget are essential to meeting the critical demands we face in securing our Nation's vital interests. With this budget and the organizational changes envisioned, the Army will take a major step towards meeting the challenges of this decade and the next. The Army stands ready to work with you in your deliberations, to explain and substantiate, so that the Nation will be provided the security that I am sure we all feel is necessary in the challenging period ahead.

PREPARED STATEMENT OF LT. GEN. W.R. MALONEY, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR PLANS, POLICIES, AND OPERATIONS

Mr. Chairman, distinguished members of the committee: I am pleased with the opportunity to assist this committee in its deliberations and to do so in the distinguished company of Dr. Ikle and my associates.

In discussing the Marine Corps' force structure, my intention is to report on the basis for that structure as well as to describe the structure itself and to provide an overview of our personnel readiness and the programs which nurture that readiness.

Before going on, however, I wish to share one observation. As the Commandant reported to the full Committee last week, Mr. Chairman, the Marine Corps is as capable and ready today as we have ever been. Much of the credit for this rests with the Congress and, in particular, with the distinguished members of the Senate Armed Services Committee. The Corps recognizes and appreciates your support and we will endeavor, as always, to be deserving of your trust and confidence.

Having said that, I'll move on to our purpose today.

There are numerous strategic and policy considerations that drive the evolution of the Marine Corps' force structure. Rather than consume more of your time than is necessary, I will seek to simplify the process.

Fundamentally, the Marine Corps' structure is based upon a careful and objective assessment of both the existing and projected threat and, particularly, the threat's impact on the Nation's foreign policy objectives. In turn, a strategy is devised to deter or, if required, defeat the threat. Finally, the implementation of that strategy results in the development of a balanced, though fiscally constrained, force. Manpower, readiness, sustainability, and essential modernization are all factors in the balancing process.

The Marines Corps' ability to organize for combat rests on the unique structure of our operating forces, the foundation of which is the Fleet Marine Force (FMF). The Fleet Marine Force, organized geographically as fleet Marine Force, Atlantic (FMFLANT) and Fleet Marine Force, Pacific (FMFPAC) are "type" commands under the operational command of the various Commanders-in-Chief for the two oceanic areas. FMFLANT and FMFPAC are comprised of the Divisions, Aircraft Wings, and Force Service Support Groups (FSSG) which reflect the Marine Corps' legislated structure. The FMFs provide their respective Commanders-in-Chief with specifically "tailored," or task organized, Marine Air Ground Task Forces (MAGTF), as required.

MAGTFs, the cutting edge of the Corps' operating forces, represent potent and balanced combined-arms, air-ground teams which are sized and organized so as to be totally mission capable while adhering to the principle of Economy of Force. Whereas the Marine Corps' fundamental mission is amphibious warfare, MAGTFs, then, provide the landing forces for the various numbered fleets. Common to each MAGTF, and reflective of its balance and effectiveness, are four major elements: Command, Ground Combat, Aviation Combat, and Combat Service Support.

As mentioned, MAGTFs are sized to satisfy mission requirements. The Marine Amphibious Unit (MAU), the smallest MAGTF, is organized around a battalion landing team, a composite squadron, and the appropriate combat service support units. MAUs provide a rapid response capability; however, they are relatively limited in their range of combat capabilities. A MAU is designed to serve as a forward deployed afloat element of a larger MAGTF which may be expanded as required from CONUS based or other forward deployed MAGTFs.

The Marine Amphibious Brigade (MAB) represents the next largest task force and is normally constituted around a regimental landing team and a task organized Marine aircraft group. The MAB is a considerably more capable MAGTF and is organized to conduct operations across the entire spectrum of amphibious warfare. MABs represent potent, rapidly deployable Marine forces which are constrained only by logistical considerations.

The largest MAGTF, the Marine Amphibious Force (MAF), is our most capable combat organization. Structured around one or more division/wing team(s), the MAF is capable of conducting the full range of amphibious operations as well as sustained operations ashore.

The Marine Corps' peacetime force structure, as depicted in the current program, is a balanced, fiscally constrained structure that responds to the Defense Guidance regarding mobilization capability and day-to-day contingency posturing that includes our forward afloat deployments. As such it achieves a force balance among combat, combat support, and combat service support functional capabilities.

Our force structure is built on a total force concept, utilizing active and reserve components, to provide the essential unit structure required to fulfill peacetime missions and concurrently to provide an adequate base for transitioning to wartime requirements. This concept reflects time phased deployment and mobilization planning factors, and provides a fiscally responsible and operationally responsive balance.

The Marine Corps' current structure is directed toward providing this nation with three active MAFs and a Reserve Division/Wing Team (DWT). Such a structure conforms to the legislated basis established by Congress and contained in Title 10, USC; however, the internal structure of the Divisions, Wings, and Force Service Support Groups comprising our Fleet Marine Force is correctly left to the discretion of the Commandant. As such, this affords the flexibility necessary to meet the challenges posed by a changing threat, to be responsive to DOD guidance/policy, and to adjust to resource constraints.

The total impact of strategy, foreign policy objectives, and force structure considerations serves then as a basis for the Marine Corps' manpower request. Our manpower program is developed to meet specific fiscal year end-strength requirements, keeping in mind affordability constraints. Changes to the current force are based largely on considerations evolving from the plans set forth by the Five Year Defense Program. However, no change is proposed that might be viewed as unattainable; the first step in the development of our manpower program each year is an estimate of attainability. Manpower programmers annually reassess the combination of factors that will affect manpower attainability over a five year period. Foremost among these factors is quality.

The Commandant's number one priority is to man the structure of the Marine Corps with quality Marines. Our fiscal year 1984 budget request calls for an end-strength of 197,300, some 2,700 active duty Marines above the fiscal year 1983 level. This modest increase will enable us to improve the manning levels in some units and to continue the much needed enhancements and modernization of our combat and combat support forces. That increase is less than that required to fully support all contingency plans but sufficient to provide a combat capable force ready to respond to crisis situations short of mobilization.

Our structure meets our requirements only when it is manned with sufficient numbers of Marines in specific grades and trained in specific skills. I am pleased to report that significant progress continues to be made in correcting critical skill shortages, most of which exist in technical areas that require extensive formal schooling. In fiscal year 1981, for example, 179 of the Marine Corps' 402 military occupational specialties (MOSs) had less than 85 percent of the personnel required and were regarded as critically short. During fiscal year 1982, this number was reduced to 145 MOSs, and we project that number will decline to 102 by the end of this fiscal year if the Selective Reenlistement Bonus (SRB) program is continued. That projection would represent a 30 percent reduction this year. The SRB program is the heart of this successful effort to retain good Marines in needed skills and I wish to return to this important topic shortly. At this point, however, I wish to carry the discussion to the very important mobilization aspects of force structure.

The combination of retiree manpower and other pre-trained manpower assets, including active duty Marines, Selected Marine Corps Reservists, Individual Ready

Reservists (IRR), and newly trained individuals from the training pipeline, provides the Marine Corps with sufficient pre-trained manpower to initially meet full mobilization requirements Qualitatively, these manpower pools can fill approximately 90 percent of the Marine Cops' overall wartime authorized structure requirements for grade and MOS, using normal grade and MOS substitution criteria. The 10 percent skill and grade deficiency is primarily centered in technical skill areas in which substitution is not desirable. The SRB for the active force, as well as the Selected Reserve Incentive Program and IRR bonus for the reserve forces can aid in overcoming wartime skill shortfalls.

Mobilization exercises, such as the recent Joint Chiefs of Staff sponsored exercise Proud Saber-83, confirm our capabilities and our needs. We know that pre-trained Marines can quickly be identified and ordered to active duty. Our present manpower mobilization system is responsive and flexible. We can rapidly adjust our wartime structure to best fit the designated conflict and we can accurately assign pre-trained manpower to fill the structure. Personnel earmarked for mobilization can receive orders to active duty in a matter of hours from the time mobilization is declared and can be transported to their units in a matter of days.

The Marine Corps takes pride in its ability to mobilize its Total Force in support of the Nation's defense and is committed to furthering this unique capability.

In order for the Marine Corps to meet its long term manpower requirements, it is imperative that military pay be set and maintained at reasonably comparable levels with the civilian sector. This lesson was learned in the late 1970s when a series of pay raise caps, pay raise reallocations, and erosions in traditional military benefits resulted in the loss of many experienced middle-grade NCOs whose compensation options outside the military were superior to those they could expect by remaining in the Corps. Positive congressional support brought about substantial military compensation improvements in fiscal years 1981 and 1982 that enabled us to regain comparability with the civilian sector and to realize significant improvements in both the quality and quantity of new and career Marines.

The pay raise for fiscal year 1983, however, was capped at 4 percent. The necessity to restrain government pay increases during times of national economic difficulties is fully recognized. As the economy improves, however, I strongly urge that we maintain our comparability goals. Without comparability we will face the same accession and retention problems that were prevalent in the mid 1970s. A comparability pay standard provides the necessary foundation for efficient and effective force management—it is the foundation upon which all other compensation rests.

Retention of quality, trained Marines is also a factor in the readiness equation.

During fiscal year 1982, we reenlisted over 15,000 Marines, our second best year in history in terms of total reenlistments. Retention and reenlistment rates combined were the highest ever recorded and the pattern is continuing. Such successes can be attributed to widespread job satisfaction, internal improvements in our career planning program, a high rate of unemployment in the civilian sector, and fair treatment in compensation and benefits.

A related success is the continued maintenance of our standards of excellence. By selectively reenlisting only quality Marines, we are keeping the most dedicated and effective individuals, thus increasing our readiness and overall combat capability. In concert with this, we have made significant progress over the past two years in solving traditional skill shortages. The SRB program, and a companion management program in which individuals are encouraged to move from fields in which we have sufficient numbers of qualified Marines to fields in which we are short, have been primarily responsible for these improvements.

As you know, legislative authority for the SRB program expires March 31, 1983. Enactment of permanent legislation is essential for adequate enlisted retention. The SRB program works. It is actually inexpensive when compared with the cost of recruiting and training replacement Marines.

Enlisted retention will continue to be a major concern. Our standards will remain high, and retaining our best Marines will be the primary goal. Continued fairness in compensation and benefits is necessary to achieve our objectives. I solicit your continued support in this most vital area.

CONCLUSION

Our personnel readiness posture is attributable to three factors. The first is our continuous striving to attain ever higher manpower quality goals; the second is the heavy investment of experienced and effective Marine officers and noncommissioned officers in recruiting and training assignments; the third is the continued and vigorous support of the Congress.

Congress can and should be proud of the support it has provided to bring these successes about. In the past three years, the increases you have authorized in numbers of recruiters, advertising, and associated support facilities have enabled the Marine Corps to bring in the numbers and kinds of new Marines we need to field the first-rate, force-in-readiness Americans deserve.

A particular expression of appreciation to you is in order on behalf of our recruiters for including in the DOD Authorization Act of 1983 the provisions of the "Tower Bill." That Act, authorizing recruiters to collect school directory information, and enjoining local jurisdictions to provide juvenile and criminal history information, is a significant milestone in the All Volunteer Force era.

As a result of congressional vision and support we have been able to undertake those specific initiatives which I have addressed. Continued support will allow us to proceed with these initiatives and to undertake others. As in the past, we will devote every effort towards ensuring that we avail ourselves of that support with the greatest efficiency.

Pride, esprit, professional excellence, and stalwart devotion to duty continue to be the paramount characteristics of your Marine Corps. As always, the individual Marine is our primary readiness resource. The proficiency with which we execute any and all of our capabilities is intrinsically dependent upon the physical, mental, and moral fiber of those young men and women who have willingly chosen to serve their Nation as United States Marines. We can categorically assert that they have never been better.

We are blessed with young people who possess the basic values, perceptions, attitudes, and aspirations upon which this Nation was founded. They are entirely dedicated to and eminently capable of the execution of any assigned mission which their country may require. Because of this prevailing spirit among our young Marines, we are particularly grateful to the Congress for its efforts and achievements toward reestablishing a national perception that military service is indeed a most noble and honorable calling. The preservation and nurturing of this perception is vital for it necessarily serves as a fundamental piller of our national security.

Mr. Chairman, that completes my statement. I am now prepared to entertain your questions.

PREPARED STATEMENT OF LT. GEN. JOHN T. CHAIN, DEPUTY CHIEF OF STAFF FOR PLANS AND OPERATIONS, U.S. AIR FORCE

AF/XO CONGRESSIONAL TESTIMONY

Mr. Chairman, members of the subcommittee: I consider it an honor to appear before you to discuss the force structure aspects of the Air Force fiscal year 1984 budget request.

Section I. Threat/Strategy—Soviet Military Advancements

Strategic systems.—The Soviets continue to give high priority to the modernization of their strategic nuclear forces. Their (ICBM) and (SLBM) forces continue to be upgraded, stressing increased accuracy, greater throw weight and survivability. Their strategic arsenal includes 7,000 nuclear warheads, with 1,398 ICBM launchers and 950 SLBM launchers.

Soviet Air Forces.—Soviet long-range bombers complement the land and sea-based strategic missile force. The Bear and Bison bombers are the mainstay of the long-range bomber force, with the versatile Backfire bomber the latest addition to the force. The Soviets also are developing the new long-range Blackjack bombers and a new long-range air-launched cruise missile. The offensive and defensive capabilities of the Soviet Tactical Air Forces have been enhanced with the introduction of the Fencer and upgraded versions of the Fitter, Foxbat and Flogger. They are also expected to deploy three new fighters in Europe in the near future. The Soviets continue to build tactical fighters at a rate of 1,300 per year allowing them to modernize their entire counterair force and 75 percent of the ground attack force in the last decade. Further, they have improved the airlift capability to project and sustain those forces and are expected to begin production of a heavy lift strategic transport similar to our C–5 sometime in the mid-80's.

Soviet Ground Forces.—The Soviet Ground Forces, numbering over 190 divisions, are highly modernized and well equipped, possessing great firepower and mobility. The Soviets have increased the availability of helicopters, armored vehicles, self-vehicles, self-propelled artillery weapons, and surface-launched guided missiles to provide clear-cut superiority at the onset of a conflict.

Soviet Navy.—The Soviet Navy has transitioned from a coastal defense force of 260 ships in the mid-1960s to an ocean-going force of 362 principal surface combatants designed to perform the functions of a tactical, theater and strategic naval power. The most serious threat to US and allied naval forces and worldwide Sea Lines of Communication (SLOCs) is the Soviet submarine fleet of over 350 submarines. About fifty of the submarines are capable of launching cruise missiles with a range of 400 to 500 km. The Soviets have also commissioned three small aircraft carriers since 1976 to give the Soviet fleet a limited sea-based, fixed wing aircraft capability. The Soviet fleet is supported and protected by Soviet Naval Aviation regiments numbering some 1275 aircraft. The primary strike force consists of 460 bomber and fighter aircraft. Bomber aircraft are equipped with anti-ship cruise missiles posing a serious threat to US Naval forces.

U.S. Military Strategy.—The threat determines our policies which determine our strategies and which, in turn, establish our military requirements for forces—their size and shape. The Administration's national security policy is articulated in the Secretary of Defense's annual Defense Guidance. Derived from national security policy is the military strategy by which our national military objectives can be achieved across the spectrum of conflict. Our military strategy, then, as stated in the Defense Guidance, is straight-forward. First, deter war—anywhere on the spectrum, both conventional and nuclear. To do so, our peacetime strategy is to maintain a balance of CONUS-based and forward-deployed conventional, non-strategic and strategic nuclear forces. Second, should deterrence fail, use sufficient force to defeat the enemy. Nevertheless, we will limit the scope of conflict, terminate it as soon as possible on terms favorable to the US and its friends and allies, but prepare to fight a prolonged conflict if required.

To execute this strategy, we must size our forces to prevail in conflict. This is the force size we need to carry out successfully our national policies. However, because political and fiscal realities preclude the attainment of such a force, we size it accordingly, but with some risk.

Section II. Air Force role in satisfying military objectives—Strategic

The steady expansion and modernization of Soviet strategic forces has brought about a dramatic shift in the strategic balance. The momentum of Soviet programs has begun to tilt that equation in Moscow's favor. Reversing this relative decline in our strategic capabilities is fundamental to our security.

Strategic modernization program.—The Air Force is confronted with a formidable Soviet challenge. We face the foreboding prospect of significant strategic inferiority unless we promptly undertake the necessary actions to strengthen our nuclear forces and restore the strategic balance. Correcting the strategic balance is fundamental to our security. We must proceed with an overall strategic modernization program that improves the survivability of our strategic forces, restores our strength relative to that of the Soviet Union, and assures that the Kremlin is denied any prospect of success in nuclear conflict. The broad strategic improvement program set forth by President Reagan is designed to fulfill these objectives. We must proceed with it quickly; we must proceed with it resolutely. There must be no doubt in the minds of our foes and friends alike that we have the determination and resolve to maintain a strategic nuclear balance. We must restore our strategic strength, both to deter Soviet aggression and coercion and to provide a sound basis for the negotiation of equitable agreements to reduce strategic arms. The President's strategic modernization program provides the blueprint for rebuilding a strong, credible nuclear deterrent and defense capability. The Air Force has responsibility for implementing most of the elements of this comprehensive program. We have set in motion the following steps that our fiscal year 1984 budget continues:

Rebuilding our aging strategic bomber forces by fielding 100 B-1B bombers and the procurement of approximately 3,000 air launched cruise missiles, while also pursuing vigorously the development of an advanced technology bomber (ATB);

Improving the striking power of our ICBM forces by continuing development of Peacekeeper and pursuing survivable basing;

Enhancing the survivability and performance of our command, control and communications systems to ensure that we can obtain warning of an enemy attack and communicate with our strategic forces; and

Upgrading the nation's defense against bomber and cruise missile attack by replacing our aging F-106 interceptors with F-15s and improving our atmospheric warning and surveillance with the enhancement of the Distant Early Warning line, deployment of over-the-horizon radars on the East and West Coasts, and the expansion of our fleet of airborne warning and control aircraft.

Manned bombers.—Strategic bombers have been the cornerstone of our nuclear deterrent since the dawn of the nuclear age. Moreover these bombers serve as a powerful complement to our tactical air forces for the rapid projection of power around the globe. These aircraft also complement our Naval forces on the maritime arena. The U.S. must have a modern strategic bomber force—a flexible, long-range striking force that can fulfill a wide range of nuclear and conventional missions. Bombers are the only element of the Triad of strategic forces that can be launched prior to a decision to employ these weapons. Our force of B-52s has performed effectively for the past two-and-a-half decades. They are becoming more difficult and expensive to maintain and, more importantly, will become increasingly vulnerable to Soviet air defenses over the next several years. The limitations of the B-52 make it imperative that we start producing a replacment aircraft soon. Accordingly, we have undertaken a three-part bomber modernization program designed to maintain the usefulness of the B-52 while laying the groundwork for our future bomber deterrent capability. The program calls for:

Equipping our B-52Gs and Hs to carry approximately 3,000 cruise missiles. Our first ALCM unit achieved Initial Operational Capability (IOC) last December. These bombers will transition from a penetrator to a shoot-and-penetrate and eventually a pure stand-off cruise missile delivery role.

Producing 100 B-1Bs with an (IOC) of 1986. The B-1B will be an effective penetrating bomber against the Soviet homeland well into the 1990s. The B-1B will also be capable of carrying missiles and conventional bombs. The B-1B will be a credible bomber well past the year 2000.

Developing and producing an ATB with an IOC in the 1990s. ATBs will be used initially to ensure effective penetration against the most heavily defended targets in the Soviet Union. Over the long term, the ATB will allow us to maintain the advantages of manned bomber weapons delivery into the 21st century.

Air launched cruise missiles (ALCMs).—We are beginning to deploy the air launched cruise missile, a survivable, accurate long-range weapon that will increase targeting and routing flexibility, and reduce exposure of our bombers to present and projected air defense systems. The addition of large numbers of cruise missiles will also assist B-52 and B-1B penetration missions by confronting the enemy with a large number of intruders.

Land-based missiles.—Improving the capability and survivability of our land-based ICBMs is a key element of the President's strategic modernization program. ICBMs are an irreplaceable element of our strategic Triad and possess unique attributes not provided by bombers or SLBMs. These qualities include very high alert rates; direct communications; highly responsive targeting flexibility; prompt hard target kill capability; and low operating costs.

Peacekeeper.—We are continuing with the development of the Peacekeeper and are evaluating a number of survivable basing modes. Peacekeeper will be much more accurate than the Minuteman, thus enabling it to more effectively destroy hardened Soviet military targets.

Minuteman.—Our current Minuteman force, consisting of 550 Minuteman IIIs and 450 Minuteman IIs has been upgraded considerably since the first Minuteman I missiles were deployed nearly two decades ago. Our fiscal year 1984 budget request provides for continued improvements in the endurance and effectiveness of these missiles.

Titan.—Our Titan II missiles were deployed in the early 1960s. They have already exceeded their planned operational life and have become increasingly difficult and costly to maintain. We are therefore proceeding with the retirement of Titan IIs, an action we expect to complete by 1987.

The phased retirement schedule permits prudent withdrawal consistent with safety and logistical constraints. It will allow missiles remaining on alert during the phase-out period to continue the Titan deterrent contribution until a modernized ICBM can be deployed. In the interim, we are continuing to implement procedural and hardware modifications to ensure that active Titan missiles are as safe as possible.

Command, Control, Communications (C^3).—Strategic command, control, and communications program (C^3) consists of systems, equipment, facilities, personnel, and procedures necessary to manage and employ our strategic forces and weapons. Effective deterrence requires a C^3 system which enables the National Command Authorities (NCA) to monitor the nuclear forces reliably and if deterrence fails, to provide the necessary information, command facilities, and communications to effectively prosecute a nuclear war.

Tactical forces—Conventional

In any conflict, our tactical air forces should be able to do two things: (1) quickly achieve air superiority so that our armies and air forces can fight and be reinforced free from the disruption of enemy air attacks and (2) provide critical offensive air support to our ground forces. Supporting U.S. and allied ground forces will involve air attacks close to friendly forces and will require interdiction of Warsaw Pack ground forces and supplies. The range of potential conflict situations is broad, and tactical airpower should possess the flexibility to meet any demand.

In the air-to-air role, our aircraft need to be able to detect and destroy numerically superior, sophisticated Soviet fighter and bomber formations. We require effective, autonomous search radars, a mix of weapons, avionics which facilitate weapons employment, and superior aircraft performance. In the air-to-ground role our aircraft need to be able to evade and suppress enemy defenses. They should be able to deliver their munitions in all weather conditions whenever and wherever Soviet forces are conducting offensive operations or are most vulnerable.

Our requirements are directly related to Soviet military capabilities. As Soviet combat power increases we need to adapt in order to preserve the survivability and capability of our forces. To maintain an effective tactical air arm, the Air Force should continue to exploit the technological advantages that this nation possesses. We need to continue an aggressive research and development program while also improving our current aircraft through evolutionary improvements and vigorously pursuing initiatives to upgrade combat readiness and sustainability.

We need to rely on a mix of aircraft to ensure we are able to meet our requirements across a wide spectrum of mission demands. Furthermore, the United States cannot do the job alone. We will continue to depend heavily on allied forces to help us maintain credible and effective defense capability.

The concept of fighting jointly with our Allies and sister services is even more appropriate in the context of incorporating our Air Reserve Forces into the active training and modernization programs. Air Reserve Forces provide 66 percent of tactical reconnaissance, and 34 percent of tactical fighters.

During past crises, the Air Reserve Forces (ARF) have clearly demonstrated the high effectiveness and professionalism necessary to quickly augment the active forces. They are an integral portion of the USAF tactical capability. Furthermore, it is essential for the aircraft and munitions available in the Reserve forces to complement those in the active forces. Therefore, a continual modernization progam is critical to ensure both aircraft and munitions are consistent with the threat they face. We are currently replacing aging, less capable units, with new aircraft (F-16 and A-10) and increasing the size of many units from 18 to 24 authorized aircraft.

The Air Force faces a continuous challenge in striking a proper balance between funding essential modernization of tactical forces and the supporting programs that improve combat readiness and sustainability of these forces within a constrained budget. We have made considerable progress toward achieving that balance.

In working toward that constant goal of modern, combat-ready forces, we have established several key objectives which will guide our decisions. In the area of readiness we will continue to stress these four areas:

Adquate spare parts, munitions, and other material to sustain the forces in combat;

Increased amount of realistic, flying training;

Participation in joint exercises and other realistic training;

Improved system reliability, leading to higher readiness and reduced maintenance costs.

Our modernization program emphasizes three key objectives:

Building the capability to attack and destroy surface targets at night and adverse weather conditions;

Improving the effectiveness of current tactical aircraft through better sensors, avionics, and weapons;

Developing tactical aircraft designed to meet the threat of the 1990's.

As we modernize our forces, we need to ensure adequate force size. Our global commitments, and the strategy to meet those commitments, require that we plan forces for employment world-wide. These demands, compounded by the size and lethality of Soviet air and ground forces, dictate an increase in our tactical fighters to an interim goal of 40 tactical fighter wings. In our current program, we will attain our 40 TFW's in fiscal year 1988.

The 40 wing tactical fighter force does not fulfill documented USAF requirements. It only represents an achievable force given the resources made available to the Air Force. Required tactical force levels are identified and documented in the USAF Strategy, Force, and Capabilities Plan.

The programmed force is composed of:

F-15.—A highly capable fighter specialized for the air-to-air mission.

A-10.—A low-cost, air-to-surface attack aircraft dedicated to the close-air-support mission. This system has been designed to achieve a high degree of survivability and maintainability while providing support to ground forces.

F-16.—A multi-mission fighter with a capability for both air-to-air and air-to-surface missions. This system provides force presence across the spectrum of mission requirements.

F-4.—This mature system will continue to perform multiple-mission roles in the 1980's. As it is replaced by the F-16, it will shift to specialized mission tasking.

F-111.—A highly capable fighter specialized for all weather counterair interdiction.

Specialized mission aircraft.—A small number of systems like the EF-111, F-4G, E-3A and others dedicated to specialized tasks required for the Total Force to meet mission requirements.

Nonstrategic Nuclear Forces.—Closely akin to our tactical, conventional forces are our Nonstrategic Nuclear Forces. These forces are tasked with deterring conventional, nuclear, and chemical aggression as well as providing a warfighting capability should deterrence fail. Currently, the Air Force uses dual-capable aircraft carrying gravity bomb nuclear weapons to accomplish this mission. In the future, we are moving to improve our Nonstrategic Nuclear Capability in two ways.

First, we will add the Ground Launched Cruise Missile (GLCM) to our force structure in calendar year 1983. This addition is the result of a 1979 decision by the Defense Ministers of the North Atlantic Treaty Organization to modernize our longer range Nonstrategic Nuclear Forces. GLCM will allow us to hold targets deep in enemy territory at risk and will compound the defensive problems of the Warsaw Pact by forcing them to deal with cruise missile systems. We are now in the final stages of developing and deploying GLCM in order to meet our NATO commitments, and continued Congressional support of this program is necessary to insure that GLCM is deployed on time. Of particular concern to the Air Force is support for schools and housing at GLCM bases.

Next, while we do not anticipate great changes in the number of air delivered tactical nuclear weapons, we will seek to improve our aircraft delivery capabilities. Specifically, we need to improve range, survivability, and night/in weather capabilities. These areas of improvement are not unique to nuclear delivery, but are obviously being pursued for this mission area as well as the conventional area.

FORCE PROJECTION

Airlift.—A cornerstone of U.S. capability to achieve national goals is the capability to rapidly project and sustain balanced military forces worldwide. Airlift provides rapid response and the flexibility to respond to immediate contingencies. Airlift transforms a potential combat unit in garrison to an effective fighting force in the field.

Numerous studies have documented a severe airlift shortfall. The Congressionally Mandated Mobility Study (CMMS) documented an intertheater shortfall of at least 40 million-ton-miles per day (MTM/D) in each of four scenarios. The CMMS recommended procurement of at least 20 MTM/D intertheater capability. This is the minimum if we are to have a viable intertheater rapid deployment capability. We also have a shortage of intratheater lift, and a complete absence of outsize intratheater airlift. Our national strategy dictates these deficiencies be redressed to assure an effective warfighting capability. Several airlift enhancement programs are ongoing which will improve our capability. The C-5 wing modification is underway; the first modified aircraft has already flown its first test missions, and will be delivered within days of this hearing. We are planning to revitalize the CRAF enhancement program. We have begun production of 50 C-5Bs, and have begun a multi-year procurement of 44 KC-10s. We are continuing development of the C-17 in anticipation of beginning production in the late 1980s, coincident with the end of C-5B production. This efficient meshing of production schedules will continue the uninterrupted build of airlift capability toward the CMMS recommendation.

Aerial Refueling.—Because of the wide variety and great number of users, the need for combat flexibility over virtually the entire globe, and the growing political restrictions on landing rights and overflight, our aerial refueling needs have increased substantially. All our modern aircraft have air refueling capability.

Our current tanker fleet consists of 615 operational KC-135s and 12 KC-10As. We plan to increase the latter force to 60 operational KC-10s, to provide air refueling and cargo support for long range strategic airlift and tactical deployments. Over the years, we have come to rely increasingly on aerial refueling for our general purposes forces. It allows us to deploy forces anywhere in the world and employ them over greater ranges and provides increased combat effectiveness as the situation requires.

KC-135R.—A cost effective means of providing this badly needed additional capability is to modernize the KC-135 by reengining it with the CFM56. One KC-135, reengined with the CFM56 and designated the KC-135R, will be able to do the job of one and a half KC-135As and will have a useful life well into the next century. The first of the initial 334 production aircraft was modified in February 1982, and the total developmental effort will be completed after flight testing the first production aircraft in May 1984.

In summary, my statement briefly addresses the United States Air Force's operational perspective on our plan to reverse force structure deterioration and develop an even more credible fighting force for the future. The manpower increases reflected in this budget are programmatic and support the weapon systems and initiatives designed to meet the threat facing this nation. These increases will enhance our readiness, support the increased force structure and improve our logistics depot maintenance inhouse capability.

Senator **Jepsen**. Senator Warner, do you desire to make a statement?

STATEMENT OF HON. JOHN W. WARNER, A U.S. SENATOR FROM THE STATE OF VIRGINIA

Senator **Warner**. Mr. Chairman, I will take a few minutes and ask that my statement be included in the record.

I apologize for not being here when the hearing started. We have a number of nuclear freeze opponents and we had to meet with them.

Mr. Chairman, I find myself in a somewhat unusual position, having been one of the strongest supporters of the President's program as well as previous programs offered by other Presidents, but I, too, recognize the demand fiscally for the Congress to address every area in the total spending picture of the Federal Government to determine if there is any basis on which to achieve some reduction.

The Republican leader, Senator Baker, announced publicly that he felt $15 billion would be a target to which we would have to work in terms of just the defense budget.

As I say in my statement, I think there is an obligation on individual members of this committee as well as the subcommittee and the committee as a whole to begin to determine if it is the consensus of the Congress and the Senate to make cuts of that magnitude, that we determine where there will be minimal degradation of our overall defense posture and readiness.

For that purpose, I have been looking into the possibility of part of that cut falling on the personnel account. I say that because I think it would be disastrous if the totality of whatever cuts are voted by the Senate should fall on modernization and procurement.

The recovery time from shutdown of production lines and modernization would, I think, in the long term be adverse to our military posture. Therefore, I think it is incumbent that we look at personnel.

As such, I have divided it into two basic parts, one, the pay and benefits package that has been achieved over the past 4 years.

Senator Jepsen, Senator Nunn, and I years ago started efforts through legislative initiatives to bring the man and woman in uniform into a closer position with their counterparts in the private sector. We started with the Nunn-Warner bill.

Senator Jepsen was active in several pieces of legislation directed more to the pay side and I think that gap has been closed.

I join Senator Tower and Senator Jepsen in their efforts to have part of the announced pay cut by the administration restored in the form of targeted pay increases. That is essential, in my judgment, and others, to preserve the progress which has been made in retention, middle management, both of officer corps and enlisted ranks as well as higher caliber of recruits.

Given that assumption that we should preserve the pay and benefit package, we then move to the actual numbers of individuals on active duty, the total force strength of the various components of all of our Services.

It seems to me that it would be wise for this committee to look at the option of either not accepting the administration's request for end-strength increases or in fact a combination of that plus a reduction in end strength phased over several years with a commensurate buildup in the Guard and Reserve.

This Nation ranks at the very bottom of the major military powers in the free world in terms of the ratios between active duty and Guard and the Reserve. Indeed, there is a great disparity between the Soviet Union and Warsaw Pact nations.

Those tables are set forth in my testimony. It is understandable that we will always have disparity because of the forward concept of strategy as applies to all services. It seems to me it is our intention to look at that in conjunction with an analysis of end strength reduction.

We all know the dollars for personnel are basically recycled within a single fiscal year. The deficit, up to $200 billion, that we are looking at for 1984 and 1985 are the ones that we will have to address now and those dollars will provide maximum impact, presumably, on that deficit situation for 1984 and 1985 as opposed to procurement cuts which when you take contract cancellation cost and the like have less of an impact in the near future and of course greater impact in the out years.

Those are basically my thoughts, Mr. Chairman. I appreciate the opportunity that you and other members of the committee have afforded to me to speak.

[The prepared statement of Senator Warner follows:]

PREPARED STATEMENT OF SENATOR JOHN W. WARNER

Thank you, Mr. Chairman, for permitting me to appear before the subcommittee this afternoon.

Recently, the Majority Leader of the Senate, Howard Baker, was quoted as anticipating a reduction of approximately $15 billion from the $281 billion requested by the Department of Defense for fiscal year 1984.

To the extent that his statement reflects a present consensus within the Senate, I feel obligated, as a member of the Armed Services Committee, to make an assessment of all areas within the defense budget where such reductions might be taken and the resulting degradation of our overall defense capabilities. It is important that we, as a committee, review and prioritize these areas on the record.

Over the years, I have supported President Reagan's effort to strengthen our military capabilities. I believe his objectives to be fully justified in view of the long-term projections showing a growing adverse disparity between the United States and its allies and the Soviet Union and the Warsaw Pact.

Nonetheless, if Congress is going to apply restraint in the growth of the domestic programs as a means of lowering the deficit, it must not except the growth in the Defense budget.

The momentum behind defense reductions is predicated on the assumption that our overall national defense can be no stronger than the foundation upon which it rests—the vitality of our economy and the people who make it work. As of today, there are favorable indications that the economy will continue to improve. Efforts by Congress, however, to reduce federal spending and the projected deficit—approaching $200 billion—should add to the momentum of this recovery.

The important task for Congress is to insure that reductions in the rate of defense spending produce maximum current savings to reduce this deficit. Amendments hastily conceived, and too often considered and acted upon during all-night sessions, could result in serious degradation of our military readiness without significant deficit reductions. While I supported the President's request in our recent consideratin of the Budget in the Armed Services Committee, I feel obligated to be able to resist certain proposed cuts and to advocate others, if substantial reductions in overall defense spending become a reality. What must be avoided is having the totality of cuts fall in just one area of the defense budget—such as modernization.

While the procurement and attendant modernization accounts may well bear a portion of a reduction in defense spending, I believe it would be unwise to take the majority of cuts from weapons programs. For example, it is popular to call for the elimination of proposed funds from well publicized programs such as the MX, M–1 tank, B–1 and the Nimitz Class Aircraft Carrier. Savings obtained from such cuts in the critical fiscal years of 1984 and 1985 would be relatively small, while modernization would be devastates. Even if all military procurement proposed for 1984 to be cut, the first year reduction in outlays would be only $12.7 billion, far short of Senator Baker's projection.

Additionally, abrupt cancellations trigger contractor reimbursements and the net savings are substantially reduced. Once production lines are closed, it is exceedingly difficult to re-hire the trained personnel from the sub-contractor infrastructure to start them up at a later date. I am optimistic that within the next 24 months, the economy will strengthen to the extent that it will support these necessary modernizations.

Likewise, substantial cuts in funding for operations and maintenance will deprive our military personnel of the opportunity to properly train with the systems of modern warfare. While this is certainly an attractive and easy target for budget cutters—because it has a limited constituency—the inevitable result of large cuts in the already austere operations and maintenance account would lower readiness to an unacceptable level.

That leaves the military personnel account with two principal areas; compensation and end-strength. First, the elimination of any pay increases concerns me because it would set back the momentum attained over the past three years in closing the comparability gap in pay and benefits between the uniformed members of the armed services and their counterparts in the private sector. This momentum, in part, started with legislation that I co-sponsored with Senator Nunn four years ago; other equally important legislative initiatives from the Armed Services Committee followed. The collective improvements in pay and benefits have provided the necessary incentives for retention of middle grades and a higher caliber recruit. Hence, the proposed pay freeze could retard his progress, opening a gap of as much as 11 percent between the military and private sector by the end of fiscal year 1984. A pay raise, across the board, may not be fiscally possible, but a raise targeted to certain grades or specialties may be required.

Turning to the subject of end strengths, during the appearance of the Secretary of Defense before the Committee on Armed Services of the Senate on February 1, 1983, I raised as an option, the possibility of reducing the proposed fiscal year 1984 end-strength of the various services by 5 percent coupled with an increase in the end-strength of the Reserve and Guard. This option should generate some savings from the personnel account yet preserve a targeted pay rise. Historically, our services have repeatedly demonstrated their ability to recover from personnel reductions far more rapidly than from dramatic cuts in operations and maintenance or from modernization deficiencies that result from the abrupt cancellation of the procurement of critical weapons system.

The Reserve and Guard units are remarkably capable. Many match their active counterparts in readiness and, in a few cases, exceed them. Because of the nature of their mission, the Air Force and Air Guard Units, in particular, are frequently comparable to active component units in readiness.

As a rule of thumb, reserve component forces require 20 to 50 percent of the funds required for similar active units. Costs are lower principally because the intensity of operations is lower as well as personnel costs.

If one looks at the major armed forces of the world, and examines the ratio between active and reserve strength, the United States is near the bottom. We have the least Reserve and Guard in proportion to active duty of any major nation.

RATIOS OF ACTIVE TO RESERVE COMPONENTS BY COUNTRIES—FISCAL YEAR 1982

	A	R
Euro neutrals*	1	8.0
Warsaw Pact (excluding U.S.S.R.)	1	2.3
Warsaw Pact (w/U.S.S.R.)	1	1.56
U.S.S.R	1	1.35
NATO	1	1.4
United States	1	0.4

* Includes Austria, Finland, Ireland, Sweden, Switzerland, and Yugoslavia.

Note.—Information from CRS from The Military Balance, 1982–83, IISS.

Admittedly, our strategy of forward deployment dictates different requirements than those of other nations. It seems to me, however, that the disparity is substantially greater than our strategy dictates.

In conclusion, I believe that every option where savings may exist should be carefully examined. With that in mind, I respectfully request the Committee to examine several alternatives that reduce current active duty forces; perhaps by 2.5 percent, 3.5 percent or 5 percent over several fiscal years. These reductions should be reviewed in concert with a measured increase in the Reserve and Guard units to insure both maximum readiness and savings. When the economy improves, as I am hopeful that it will, the size of our active forces could then be increased.

Mr. Chairman, the purpose of my efforts is to urge the Committee to prepare for all options addressing potential reductions and to prioritize these options such that the totality of any reductions not fall upon modernization. We have all witnessed far too many key defense decisions made hastily through the amendment process on the floor—often in the hours between midnight and dawn. I am hopeful that this year we can avoid such ill-conceived legislation and be prepared to address amendments fairly and objectively with a prepared record.

Thank you Mr. Chairman for this opportunity.

Senator **Jepsen**. Senator, I agree with you that in the long term we just place a greater burden on the Reserve and the Guard. We have historically been a country of minutemen.

The fiscal year 1984 budget request includes 38 percent of projected outlays go for payroll. This is without a fiscal year 1984 pay raise.

In comparison, only 12.4 percent, $29.7 billion is for investment. We may no longer look at weapon systems for areas to reduce spending, but may also have to look for reductions in personnel.

Does any other member of the committee have any comment?

Senator **Kennedy**. I would like to submit some questions for the witnesses and have their responses be made part of the record.

Senator **Jepsen**. That may be done.

Senator Exon?

Senator **Exon**. Have you finished, Senator Warner?

Senator **Warner**. Yes.

Senator **Exon**. At this first meeting of the committee, I want to welcome our new members to the Manpower Subcommittee. For their information, under the leadership of our chairman in the last 2 years I think we have done some excellent things in the manpower area. It is quite obvious to me that we have a long way to go in the future.

The basic thrust of what Senator Warner has said is that if we are going to make some cuts, he wants us to consider reducing the possibility of at least some active forces reductions.

If I can properly interpret the percentages that he has on the bottom of page 5, 2.5, 3.5, and 5.5 percent, I believe the equivalency would be at 50,000, 70,000, and 100,000 people.

Senator Warner, is that approximately right?

Senator **Warner**. I leave that to the discretion of the committee. I feel this is an option that must be considered other than have the full brunt of any cuts fall on the modernization program.

Distasteful as it is to come before persons with whom I have worked and supported these many years, I feel it is our job on the Armed Services Committee to prioritize the areas in which cuts, if made, should fall.

Senator **Exon**. We are talking about cuts and there will be more questions on this, Dr. Ikle, and input from the rest of our distinguished panel today.

As I understand it, Senator Baker proposed a cut of $15 billion and I believe that that was from outlays, is that correct?

Senator **Warner**. I believe that is my understanding.

Senator **Exon**. I also further understand that did not include the $7 to $8 billion that the President subsequently cut.

Senator **Warner**. I think it did include it. Again, this is secondhand, but my understanding is that it did include it and his 15 figure represented the 7 or 8 on top of that.

Senator **Exon**. If we went the Baker route, we would have another $7 or $8 billion to go?

Senator **Warner**. Yes.

Senator **Exon**. Your suggestion is that one thing we should consider is Active Force cuts as part of that.

Senator **Warner**. That is right.

Senator **Exon**. Dr. Ikle, what is your attitude, given the increased threat around the world that we hear about and given the fact that you and the people to your left and to your right are responsible for force structure, what is your firsthand or immediate reaction to the suggestion made by Senator Warner?

Dr. **Ikle**. Senator, whichever way you reduce our defense effort, you are increasing the risks. Maybe as a rough approximate, you could say by reducing the Active Forces, you are increasing the risks in the near term more than by contrast. By reducing modernization, you would reduce the risk in the long term.

Given the danger and threats we confront, we feel we should not further increase the risk in the long term. We should not cut modernization because otherwise our successors will be in a position where they can no longer insure the deterrent strength of our conventional and nuclear forces in the 1990's.

If we diminish our active strength in the near term, we increase the risk of inviting aggression in the next few years.

Senator **Exon**. What you are really saying is that the President's $7 or $8 billion cut was not a cut at all, was it?

Dr. **Ikle**. It was a reduction of $7 to $8 billion.

Senator **Exon**. Wasn't most of it made up in just decreased cost of fuel and things of that nature? So it was not a cut in the traditional sense, was it?

Dr. **Ikle**. Some of it was reduced inflation.

Senator **Exon**. I did not add that in. That was in addition to the reduced cost of fuel. The President's $7 to $8 billion cut was more or less a sham cut, was it not?

Dr. **Ikle**. Certainly not a small cut, no.

Senator **Exon**. What was it? Was it a real cut?

Dr. **Ikle**. It was a real cut and it hurt.

Senator **Exon**. It hurt? Are you telling me that it hurt to recognize that we are going to pay less for fuel than you had earlier anticipated? That certainly does not hurt. That certainly does not impair the strength of our Armed Forces.

Dr. **Ikle**. We are very pleased that we have to pay less for our fuel and we are gratified that that will give us some savings. It was very painful to have the pay freeze.

PROCUREMENT OR FORCE CUTS

Senator **Exon**. If you had to make a decision, as we evidently are going to have to make in the Congress since I think it is quite clear that we are going to have some further reductions would it be your recommendation to us that those cuts come in the form of procurement or would you suggest that it would be in our best interest to make those cuts in force structure as Senator Warner has indicated we should at least study?

Senator **Warner**. Or a combination.

Dr. **Ikle**. I may disappoint you by answering that I am not prepared to give you an answer. It would be an agonizing choice.

As I said earlier in my opening statement, if you look at the threat, the risks confronting our security, if anything, the defense budget might be faulted for being too low.

I am sorry that I can't be more responsive to your question.

Senator **Exon**. Let me ask the uniformed officers at the table because, you know, whenever we are asked these questions, gentlemen, we are parried all the time. Now I want to ask the questions this way of the uniform officers here.

If we are going to make some reductions in the defense budget, would you feel best about that or would you feel that our overall readiness would be less hurt if we would make those cuts in procurement or in manpower?

Let us start with you, General.

General **Chain**. First of all, the administration's position has already been outlined by Dr. Ikle and we obviously support that.

However, given that question as direct as you have just made it, I point out that our combat capability is formed by four legs, if you will.

You have force structure which is the size of the force, modernization, technical competence of that force, readiness ability of that force to go to war today, and sustainability for that force to be able to deploy and stay in combat.

If I were to make any cuts or be forced to make any cuts, I would obviously want to do it in a balanced form and I would not go after one leg of that combat capability because if you do that, you automatically put the combat capability out of kilter.

That is why I believe your efforts to focus in on transferring to Guard and Reserve only, would do us a disservice because you would put a counterbalance.

I understand what you are saying, but I don't——

Senator WARNER. If I may clarify, my thesis is the same as yours. If the cuts are inevitable, then they should be spread among the four legs. The ones I selected here were modernization and personnel.

I also have in my statement O&M, which affects readiness and sustainability. I have witnessed too many times in the Department of Defense, when I was in your seat, crash cuts, which cut off procurement contracts, contracts for recoups, cancellation costs, and you end up with a dribble of money here and long modernization which you can't put back together in 2 or 3 years.

The Army to its great credit took a hollow Army and fleshed it out so that today it is no longer a hollow Army. You retrenched from a serious personnel condition. I think we can retrench in the next 24 months any personnel degradation occasioned by an end strength cut more easily than we can cancellation of the B-1, the helicopter program or the shipbuilding program of the U.S. Navy.

If we canceled the whole lot, you would scrape up only $12 billion in fiscal year 1984.

General CHAIN. If you focus in on people alone, you automatically put it out of balance.

Senator WARNER. I did not suggest people alone. This statement says spread that cut in a balanced way across all accounts.

The reason I selected end strength is when you direct it to the personnel account it is my judgment that the pay and benefits should be preserved as opposed to an end strength cut.

Senator EXON. I did not get an answer from the rest of the gentlemen.

Would you amplify on it? I am very much concerned about cutting our active strength. In my opinion, that is the last thing we should do.

Am I wrong, gentlemen, in your opinion?

General MAHAFFEY. I think General Chain's formulation of how such cuts ought to be applied is exactly right, that is in a balanced way. How you specifically spread those cuts carries with it the need to do some detailed risk assessment.

We would enter into that in the face of such a cut. I think the notion of directing such cuts toward end strength through the mechanism of transferring force structure out of the active into the reserve is attractive in theory, but if you are going to create new structures in the reserve, it certainly carries with it potential additional costs for such things as facilitization, new organization, spare parts, support equipment, and so on.

What those specific costs would yield in the way of net savings is something that we would simply have to study in the face of whatever cuts might be assessed against us.

Senator EXON. Thank you.

Admiral?

Admiral MOREAU. Yes, sir, I share some of the concerns of General Chain and General Mahaffey. It seems to be attractive to go for the money in the military, as Senator Warner points out, in terms of procurement, particularly long-lead items such as shipbuilding.

There are some long-lead aspects to sailormen. It takes 10 years to grow a petty officer into a high-paying technician. We don't normally get those kinds of people into the Reserve because they are in such high demand in civilian industry.

In fact, we don't gain them in the Reserve, so we have the same kind of high technical skill shortfall in the Naval Reserve that we have on active duty line.

We are in better shape than we have ever been in the Navy today because of the things that you have done in the last 2 years for the Armed Forces personnel in terms of essential comparability than we have ever been. People are better trained and better led. As a result, our readiness is up.

Ships are better maintained and maintenance policies are better. We reap that benefit in a hundred ways. In fact, I am most fearful of taking those cuts in personnel, Senator Warner.

Now the corollary to that is can you change the balance between the active duty and Reserve force structure?

As you know, we are doing a great deal of that. We are putting 4 ships on the line a year and building 24 ships. We are building the Reserve and we need to do that. We are doing more than we ever anticipated and are quite pleased with the prognosis.

I think that we have to be very careful as we go much beyond that. There are certain areas that lend themselves to that which, of course, you know better than I, Senator Warner. In other areas, where we have a forward deployment commitment, and we need a certain force level on active duty. It needs to be a balanced effort.

Senator EXON. General Maloney?

General MALONEY. Yes, sir. It is difficult being the last man, to have a new concept.

KEY OPERATIVE TERM IS BALANCE

I must tell you that I do concur with my colleagues that the key operative term is balance, sir. It is important to appreciate that, when we go into the Department of Defense with our program, the balance is achieved at the beginning of the process, so that when we reach the point where cuts must come, we would choose to take them in a balanced way.

As for Senator Warner's initiative on moving some Active Forces into the Reserve, I should say that it is a special challenge to the Marine Corps because of our emphasis on forward deployed forces. I can second what Admiral Moreau mentioned in that regard because a rotation base to achieve that forward deployment requires an Active Force.

I should also indicate that as our Active Forces have become healthy with all your fine support over the last few years, so have our Reserves. Just a few years ago, sir, our Reserves were down at the 29,000 level for Selected Reserves. Now we are up to 42,000 and in fact are at the point where we are within 2,400 of our wartime requirements.

In an ironic sense, the health of our Reserves makes the idea of transferring Active to Reserves unattractive to us. Our Reserves are focused to be reinforcing and augmentation forces if we are to mobilize.

Senator **Exon**. Gentleman, I thank you.

Mr. Chairman, I have some other questions of Dr. Ikle that I will submit for the record and ask him to respond.

Thank you.

Senator **Jepsen**. Senator Bingaman, we welcome you to the committee.

You may proceed.

Senator **Bingaman**. Thank you, Mr. Chairman.

Let me just ask a question which has occurred to me in the last several days.

I gather Senator Exon was saying that the budget cut that the President has already engaged in for the 1984 budget was partly the result of savings in fuel costs from what had been anticipated for fuel costs in 1984.

Is that a correct statement? Was part of it that type of saving?

Mr. **Groover**. A very small part of it. On the order of 10 percent of the cut.

Senator **Bingaman**. Is 10 percent $800 million of the $8 billion proposed cut?

Mr. **Groover**. The President's reduction was $11 billion in budget authority and $8 billion in outlays.

Senator **Bingaman**. This would have been in outlays?

Mr. **Groover**. Yes. But about a billion dollars of that cut is attributable to lower assumed fuel prices.

Senator **Bingaham**. I don't know if, Doctor, you will be the right one to respond, but is it possible to get a precise figure as to what they have anticipated those fuel costs will be?

The recent action by OPEC caused the Secretary of the Treasury to be on television saying this is a tremendous windfall for the consumers of the country and we are going to have about $60 billion more going into the economy which would have had to be spent on this fuel that will now not have to be spent on an annual basis.

Can we project what that additional activity will do to the fuel costs for the military in the next fiscal year?

Mr. **Groover**. We certainly can give you the specific assumptions for fuel prices that are embedded in the President's budget submission and can tell you what changes in our thinking have been made as a result of recent developments in the OPEC negotiations.

Senator **Bingaman**. That would be very useful, Mr. Chairman, if they could provide that. I would be very anxious to see that.

That is all I have.

[The information follows:]

PETROLEUM PRICE ASSUMPTIONS

The fiscal year 1984 budget anticipated lower fuel prices due to a continuation of weak market conditions in 1983. The $44.94 per barrel average cost projected for fiscal year 1984 permitted a $1 billion reduction in previously projected fiscal year 1984 fuel costs, and is already reflected in the President's fiscal year 1984 budget request. Actual costs paid in fiscal year 1983 (thru January) have averaged $44.25 per barrel. This is close to our fiscal year 1983 projection of $44.10. If current prices hold steady at $44.25 per barrel for the balance of fiscal year 1983, our fuel needs will be underfunded by about $25.9 million. If it should later appear adviseable to revise our fiscal year 1984 price assumption from the $44.94 per barrel in the cur—

rent budget down to, e.g., the $44.10 per barrel we previously projected for fiscal year 1983, the fiscal year 1984 savings would be about $145.3M. However, it is clearly premature to make any changes now. We will continue to watch market prices and trends to identify the extent of any further budget reductions that may be possible.

Senator **Warner**. Could I just close on one note?

Dr. Ikle, you and I have been many years collaborating together. Like you, I make the effort to analyze the risk assessment each year, long term, short term, and after a dozen years looking at it, I feel I have some modest capability.

IMPACT OF $200 BILLION DEFICIT

I want to tell you right now I am unable to make any risk assessment as to what the impact will be on this country of a $200 billion deficit, what that will do to interest rates, inflation, lifestyle, uniform, and nonuniform. That is why I have a very grave concern about this whole problem.

Dr. **Ikle**. Senator, as you know, the administration shares this concern about the deficit and wants to see it rapidly reduced. You of course, know that if you took out the entire defense budget, you would not eliminate the deficit because of the loss in revenue, and so forth.

Indeed, a dollar of defense spending reduced would probably help less with the deficit than some other dollars taken out of the Federal budget. But all these facts I know you are aware of.

ACTIVE AND RESERVE FORCES

Mr. **Groover**. Senator Warner, I would like to amplify a little bit on the comments that have been made in response to your obviously very thoughtful suggestions about the relationship between Active and Reserve Forces.

First, I would like to make an observation on the statistics that you offered comparing the ratio of Active to Reserve Forces in the United States as opposed to other countries and just note that that ratio tends to be very different in countries that have a draft than in countries that have an all-volunteer force.

If you go back to the draft years of Vietnam, you would find that we had much higher level of manning in our individual Ready Reserve and in our Selected Reserve because when you have a draft, you bring people in for shorter tours of service: thus you pump more people through the process who ultimately go into the Reserve structure.

So, the Soviets, West Germans—you can go on down the list—virtually any country that has a system of conscription which invariably entails tour lengths, will have a very large standing Reserve force.

Now when we abolished the draft in this country, our Reserve structure declined for a number of years. Our Selected Reserve Force strength bottomed out in about 1979.

We have seen an up trend since then. We are continuing to add people to the Selected Reserve and to the IRR, but we still have some manning shortages in the Reserve structure.

Until the existing units in our Reserve structure are adequately manned, I think we have to ask ourselves what we would gain by creating additional units in that Reserve structure.

If we look at the specific programs that account for the increases in Active Force manning in the President's 1984 budget, we see largely the major modernization programs. In the Air Force you see the B-1, MX, GLCM, also some expansion certainly in the strategic mobility forces, in the Navy it is expansion of the fleet.

In many cases those are programs that it would be difficult, if not impossible, to man with reservists. Active Forces must man specific modernization programs. If we attempt to handle all that modernization within the same Active Force levels, then we would have to look at disestablishing active units.

Furthermore, if we need to maintain the same total force capability during an active-to-reserve transition, then we must maintain some double capability, that is, retain the active unit while it's Reserve replacement is getting up to speed. Therefore, we would unlikely save money during such a transition period.

In summary, sir, you clearly have made a very thoughtful proposal, but as we look at the specifics of it and we continue to do that, there are many problems involved in trying to implement it.

Senator **Warner**. One last comment, Mr. Chairman.

I guess all of us call on our own personal experiences. I can remember the summer of 1950 when I was wearing that green uniform as a lieutenant in the Marine Air Reserve and we volunteered, some of us, others were recalled. Within 90 days we were flying in combat and marching side by side in Korea with our active duty counterparts and the Reserves were doing a fine job and the Guard.

I have the highest regard for the capability of the Reserve and Guard and their ability to respond in time of contingencies. I have seen it and seen it work.

Mr. **Groover**. Yes, sir, and I don't disagree with that.

Senator **Warner**. We were drilling only 1 week a month, drawing a fifth of the total pay and benefits of the active-duty person. We were sharing the same experience.

Senator **Jepsen**. General Mahaffey, in the U.S. Air Force and the Navy one sees the Reserve fill a significant proportion of peacetime and anticipated wartime responsibility, about one-half of the Air Force strategic airlift, two-thirds of the continental air defense interception, and all of the Navy's continental U.S. logistical airlift.

So, I just ask the question. Has the Army considered the introduction of similar associate programs to reduce the demand for active duty personnel?

Could there not be a greater integration of Reserve personnel into active duty units, particularly in the area of combat support?

General **Mahaffey**. Mr. Chairman, we in fact have such a situation today and are working to improve it. It begins with the fact that four of our active duty divisions are rounded out by National Guard brigades today.

We have, in addition to that, eight National Guard or Reserve battalions that also serve as round-out elements to active duty divisions.

The fact is that a substantial proportion of the combat service support of both our forward-deployed divisions in Europe and those which would deploy as early reinforcements to Europe would in wartime be supported by Reserve component units.

That balance is not today all that we would want. We are continuing to improve the balance and that involves a substantial number of Reserve component activations, reorganizations, and in fact a transfer of some force structure out of the active Army structure into the Reserve component program in the fiscal year 1984 budget.

Senator **Jepsen**. We have all seen in this first meeting here the agenda which this administration has set. It is an agenda of strong defense, at the same time fiscal responsibility.

We are hearing more and more every day about the need now to get at the deficits. All economic signposts are in place and pointing in the right direction of an economic recovery. Activity is taking place, the first time in many, many years that that has existed.

Ironically, one of the things that does is focus in on the only thing left that people say is in the way of a solid long-term, brighter future, American vision and dream, and that is the deficits. We have forgotten all about inflation.

A couple years ago we came to Washington and inflation was the No. 1 enemy. You don't hear any talk about it now. You have forgotten that maybe it ever existed.

Now we are talking about recovery. The deficits, we will hear a lot more about now. At the same time we are going to hear increased talk about, well, defense has got to take its share.

In any event, what we are finding here at our first meeting of the Personnel and Manpower Subcommittee is, I think, something that we have not really broached to this depth before. We have to talk about looking at manpower which has been sacrosanct.

In fact, we have spent a lot of time getting caught up in the pay and benefits. The morale has never been higher, as I sense anyway, of the men and women in uniform. We have made a turnaround since I came to the Senate in 1979.

You know, we ought to continue and we will continue to examine it. I think we need to get out and air some of these things before someone, who is not quite maybe as sympathetic as we would be to these things, airs it. It is better we do it ourselves.

The fact is that Russia does pay $5.50 a month to their recruits. Our recruits receive $574 a month in basic pay; some are eligible for $8,000 in enlistment bonuses, $17,400 in educational benefits and other allowances for themselves and dependents.

While I certainly don't subscribe to paying our recruits $5.50 a month, I think we are going to have to talk about that military payroll which now has $90 million in outlays in 1984 and in addition, on top of that, we have other personnel costs such as change-of-station moves. We have retirement that is growing at about one-half billion dollars a year, as I understand the figures.

Is that correct.

Mr. **Groover**. Certainly the retirement bill is continuing to grow, but I think you will find that the rate of increase has tailed off significantly.

Senator **Jepsen**. What is it now?

Mr. **Groover**. It is about $13 billion, but it——

Senator **Jepsen**. $17 billion this year according to our figures. I am not here to debate them. Our figures say $17 billion a year and a rate of one-half billion dollars growth.

Mr. **Groover**. I stand corrected. It is $17 billion in fiscal year 1984. Thank you. That represents about a $0.65 billion increase over the previous year whereas that accounts for increasing by more than $1 billion a year in the early eighties.

So the rate of increase is tailing off.

MEDICAL AND MILITARY HOUSING

Senator **Jepsen**. You have medical and military housing. That is a very significant portion of the defense budget. We all need to work together to take a hard look at this.

The thought that was presented here today of bringing down the Active Forces and bringing up the Active Reserve Forces is kind of what he was saying or suggesting we look into. We will do this in this committee.

We may be asking for additional help from you so that our research is carefully done. We may find that the cost savings are not all that great. I don't know at this point in time.

I would suspect it will not be as great in cost saving as it would appear logically on the surface to have a ready combat unit in the National Guard and an active ready combat unit in the Reserve.

I have been a member of both. You don't have an active Guard unit or Reserve unit in a high state of readiness. They are going to have to have equipment and they are going to have to have clothes and they are going to have to have their shots and training and they are going to have to be ready.

I think it will help also in working on this to focus in on some other areas a little better, identify what is our total overall military mission and goal, and more specific mission rapid deployment versus the triads, the nuclear freeze versus the arms control versus the build down.

BUILD-DOWN RESOLUTION

Have you heard about our build-down resolution?

Dr. **Ikle**. Yes.

Senator **Jepsen**. I asked the nuclear freeze people to sign my petition for build down. There has been a lot of talk about this.

We look forward and ask for your help and ask for your suggestions. We want to keep in close touch.

I am pleased to have continual reports and by personal observation to experience some of the results of what has happened as a result of things we have started on this committee in the last few years with regard to the morale of our men and women in uniform. It is good. Better than that, it is real good. We want to keep it that way.

It there any member of the panel that has something he would like to add?

We will have a number of questions for the record. We may have another hearing as we sort out some of these areas that we want to examine and look into, certainly in the overall money area and the personnel.

Is there any statement that anyone would like to make for the record before we adjourn today?

Dr. **Ikle**. Mr. Chairman, one point.

MORALE OF MANPOWER

You mentioned morale. Both the morale and quality of our manpower have increased substantially. As the Chairman of the JCS has reported, he has received very encouraging reports from the CINC's about the improvement in the effectiveness of the personnel.

These are our commanders out there who face potential aggression, should it occur. Those commanders now have noted a great improvement in the Armed Forces.

Senator **Jepsen**. Thank you very much, gentlemen.

[Questions with answers supplied follow:]

Questions Submitted by Senator Roger W. Jepsen

SHORTFALLS IN MILITARY MANPOWER

Senator **Jepsen**. Gentlemen, in projecting military manpower increases through the 5-year defense plan, where are the shortfalls most likely to occur as a result of demographics, economic conditions, et cetera?

AIR FORCE

General **Chain**. At the end of fiscal year 1982, the Air Force was short 925 pilots, 525 navigators, 850 engineers, 200 physician specialists, and 7,780 NCOs (E-5—E-7 in 67 combat-related specialties known as chronic critical shortage skills). Assuming adequate compensation, we expect that pilot and physician specialty shortages will continue through the FYDP, and that navigator and engineer shortages will persist until fiscal year 1985. (After fiscal year 1985, the Air Force Engineer requirements should be fully manned in the aggregate; however, a shortage in electrical engineers will continue for the foreseeable future). Because of the significant effects of unemployment rates, pay raises, and other external factors on retention, and the difficulty of projecting the trends in those factors, the Air Force cannot project NCO inventories at skill detail level. Moreover, force program changes make it difficult to project requirements. Therefore, we do not have precise "get well" dates for the various enlisted skills. In the aggregate, across our chronic critical shortage skills, we expect a shortage of 3,500–5,000 NCOs at end fiscal year 1983.

However, improvement in any or all of the shortage areas could be impeded by a pay freeze or unexpected improvement in unemployment. In general, a freeze would drive pay comparability to an all time low for the All Volunteer Force. Its impact will depend to a great extent on economic recovery (unemployment rate and air line hiring), level of the fiscal year 1985 pay raise, and compounding effects of other changes to the compensation system (e.g., 50 percent COLA cap). Barring a substantial catch-up, officer continuation rates and enlisted reenlistment rates would drop substantially as the economy recovers aggravating the current skill shortages and invalidating current projected "get well" dates.

NAVY

Admiral **Moreau**. In the future we will be faced by an improving economy and a reduced manpower pool from which to draw new accessions. These two factors will make it increasingly difficult to both meet our accession goals and maintain retention at the levels required to man the growing fleet. However, because of our excellent record in both recruiting and retention over the last 2 years, we have demonstrated that we know how to do the job and I am confident that with Congressional support, we can compete successfully in this more competitive environment.

In the future we predict that shortfalls will be most likely to occur in the following areas:

Navy petty officer shortages.—At the end of fiscal year 1982, the total shortfall in the Top-6 enlisted paygrades was 17,441 and is projected to be reduced to 11,700 at the end of fiscal year 1983. This improvement has resulted from the increased retention we have experienced for the last 2 years. Assuming that we maintain a comptitive military compensation system, we project the elimination of the petty officer shortfall by the end of fiscal year 1988.

Skilled enlisted rating shortages.—The Navy currently has shortages in 62 of 99 ratings when measured against our Objective Force requirements. The most difficult shortages to overcome in the future will be in those ratings with high marketability in the civilian economy, or which require exceptionally high entry requirements due to their technical complexity. Technical ratings therefore present the greatest problem for the future due to the steadily decreasing manpower pool, increasing competition for these people among the services and private industry, and after training, their very high resale value on the civilian market. Seven of the Navy's current ten most critically undermanned skills fall into these categories: Electronic Warfare Technician (EW), Fire Control Technician (Guns) (FTG), Fire Control Technician (Missiles) (FTM), Gunner's Mate (GMG), Interior Communications (Electrician) (IC), Sonar Technician (Surface) (STG), and Aviation Antisubmarine Warfare Technician (AX). An example of other skills which are already receiving close management scrutiny are the Electronics Technician (ET), Gas Turbine Systems Technician (Electrical) (GSE), and Gas Turbine Systems Technicial (Mechanical) (GSM) ratings. Nuclear trained personnel add a new dimension to this problem, since growth in the civilian nuclear power industry is directly correlated to a concomitant drop in Navy retention of nuclear trained personnel.

Assuming current economic conditions and continuing funding by Congress at the requested rate, the Navy anticipates meeting total officer end strength goals. However, the following officer shortfalls are most likely to occur through the five-year defense plan:

Officer Manning.—An Unrestricted Line (URL) officers mid-grade shortfall of 3,046 existed at the beginning of fiscal year 1983 (LT-1,787; LCDR-727; CDR-532) and are projected to remain until: fiscal year 1987 for Surface Warfare; fiscal year 1989 for Pilots; fiscal year 1993 for Submarine Warfare.

In addition we have a shortage in the Medical Corps which has historically been one of the Navy's most difficult recruiting areas. This fact, coupled with the requirement for significant growth from 3,597 in fiscal year 1983 to 4,151 in fiscal year 1987 makes this an area of concern.

MARINE CORPS

General **Maloney**. The first step in manpower program development, which culminates in an end strength profile, is the execution of an end strength achievability estimate. This estimate takes into account economic, demographic and accession/retention factors which could affect making end strength. Projected shortfalls in each area are analyzed before an end strength profile is developed. Current analysis and updating of the achievability estimate do not indicate that any significant shortfalls exist. Quantity and quality goals in accessions and retention remain viable.

ARMY

General **Mahaffey**. Displayed in Table 1 are fiscal year 1982 recruiting results, our fiscal year 1983 program, and projected requirements to fiscal year 1988. We expect to be able to fill some of these requirements from the ranks of those with prior service—a group in which recruiting has not been a problem. We must insure, however, that we bring in enough young people without prior service each year to provide a proper base for continuation. The market for these people is generally more competitive. Non-prior-service projections are in table 2.

The primary source of non-prior-service recruits is males aged 17-21 years. The population of this group is projected in table 3. Our non-prior-service recruiting requirements are growing as the primary market population shrinks. This will pose challenges for us: all other things being equal, reductions in the available pool lead to approximately proportional reductions in the number of youths inclined to enter service at any given level of pay and benefits.

Improving economic conditions will also make recruiting more difficult, as private enterprise competes for more of the qualified young people we seek. Conservative estimates suggest a drop of about 10 percent in overall recruiting if the unemployment rate falls to 7 percent, all other factors being equal. The effect is likely to be worse for above-average high school graduates, since they are also prime targets for private employers. Our estimates suggest we could lose as much as one-fourth of these high-quality accessions if unemployment drops to 7 percent and we do not somehow compensate (e.g., with pay comparability, bonuses, and benefits) for this effect.

Career retention, especially in the case of NCO's with high scores, is similarly sensitive to pay and economic conditions. The Reenlistment Chart shows this; note the dramatic upswing in retention of high-scoring careerists (lower lines) in response to the dual forces of high unemployment and pay increases in 1981 and 1982. Studies show pay to be the more important of these two factors; our surveys tell us that retirement security also weighs heavily in retention.

TABLE 1.—TOTAL ARMY RECRUITING

[Thousands]

	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988
Active	130.2	142.5	134.5	137.7	143.7	142.2	146.3
Guard/Reserve	170.1	150.6	145.1	165.8	165.4	164.0	167.1
Total	300.3	293.1	279.6	303.5	309.1	306.2	313.4

TABLE 2.—ARMY NONPRIOR SERVICE RECRUITING

[Thousands]

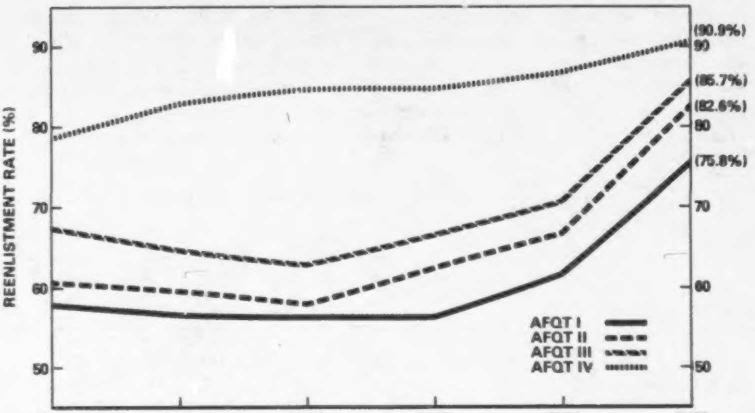
	Fiscal year 1982	Fiscal year 1983	Fiscal year 1984	Fiscal year 1985	Fiscal year 1986	Fiscal year 1987	Fiscal year 1988
Active	120.4	132.0	124.5	127.7	131.7	132.2	134.3
Guard/Reserve	86.7	100.2	98.7	102.8	102.6	101.8	103.5
Total	207.10	232.2	223.2	230.5	234.3	234.0	237.8

TABLE 3.—17–21 YEAR OLD MALE POPULATION

[Thousands]

Year	1982	1983	1984	1985	1986	1987	1988
Population	10,524	10,229	9,918	9,602	9,334	9,204	9,225

CAREER (OVER 3 YRS) REUP QUALITY TRENDS



	FY77	FY78	FY79	FY80	FY81	FY82
UNEMPLOYMENT RATE	7.0%	6.0%	5.8%	7.1%	7.4%	9.4%
PAY RAISE	4.8%	7.1%	5.5%	7.0%	11.7%	14.3%

QUALITY CAREER REENLISTMENTS ROSE (BOTTOM TWO LINES) SIGNIFICANTLY IN RESPONSE TO THE FY81 AND FY82 PAY RAISES.

POTENTIAL SHORTFALLS

Senator JEPSEN. How are you addressing these potential shortfalls in the current planning and budget process?

AIR FORCE

General CHAIN. Both Air Force officers and airmen posses a wide range of skills which are readily transferrable to the private sector. Pay comparability and quality of life improvements are necessary in order to attract and retain the types of officer and enlisted personnel needed by the Air Force. Otherwise, we invite a recurrence of low retention and the loss of valuable, experienced personnel which took place in the late 1970s. The need for pay comparability becomes even more essential as the economy recovers and competition with the private sector for these personnel increases. To improve retention in the most serious shortage skills, the Air Force must continue to place emphasis on Selective Reenlistment Bonuses for enlisted shortage skills, on engineer and physician continuation pay, and on other special/incentive pays such as Aviation Career Incentive Pay and Health Professionals Special Pay. Advanced degree programs, funded by the Air Force, allow engineers, physicians, and other personnel in skills with advanced degree requirements to obtain those degrees in return for an extended active duty service commitment. In addition, the Air Force benefits from accession programs for engineering and medical students which provide financial assistance to qualified individuals seeking prerequisite degrees in return for active duty service. Other programs for resolving enlisted shortages in critical skills include recruiting fully qualified prior service personnel, returning previously qualified specialists to shortage skills, voluntarily recalling retirees, focusing retraining into shortage skills, permitting members with shortage skills to remain on active duty beyond their high year of tensure, and increasing promotion opportunities for members in critical shortage skills. Management actions such as these have proven effective and will be necessary in the future in order to resolve skill shortages.

NAVY

Vice Admiral **Moreau**. The Navy is utilizing various compensation and management measures to resolve the current predicted shortages. Compensation tools to eliminate enlisted shortages include:

Selective Reenlistment Bonuses targeted at skills with low retention and chronic manning deficiencies.

Enlistment Bonuses to attract the proper caliber and numbers of accessions into the ratings to meet future growth requirements.

Proficiency Pay (Shortage Specialty and Special Duty Assignment Pays)

A wide range of special or incentive pays targeted at specific types of duty.

Management options available in addition to compensation incentives to control flow into and out of undermanned ratings include:

Navy's "A" School plan.

Specific recruiting goals established for CNRC.

Non-Designated Training (NDT) inputs into ratings.

Career Reenlistment Objectives establishing guidelines for rating conversions into undermanned ratings.

Training and reenlistment packages such as Selective Training and Retention Program (STAR) and Selective Conversion and Retention Program (SCORE).

Guaranteed assignment detailing.

To alleviate the Unrestricted Line Officer (URL) mid-grade shortfall the Navy has submitted to OSD a legislative proposal to obtain 04/05 grade ceiling relief to allow for (1) the ability to significantly increase the numbers of officers recalled to active duty now and (2) increased promotion flow as the large number of junior officers becomes eligible for the 04 and 05 grades.

To assist in relieving the medical officer shortfall, in fiscal year 1983 the Navy began an Inservice Civilian Residency program to allow 50 military physicians to complete the last 2 years of their residency at civilian hospitals at full pay. The Navy is studying this problem for alternative solutions, but it appears obvious that a large commitment of resources will be necessary to meet our physician requirements.

Successful attainment of our recruiting and retention goals is the key to eliminating manning shortfalls. In this regard, our primary emphasis will be on maintaining a competitive total compensation package which includes a a catch-up pay raise in fiscal year 1985, the periodic updating of our special and incentive pay, Selective Reenlistment Bonuse, and a competitive benefits program.

MARINE CORPS

General **Maloney**. Accession and/or retention statistics are continuously monitored in order to confirm or update the achievability assessment. If a shortfall appears probable, the declining accession/retention category is offset with another accession/retention category. At the present time, the size and quality of the Delayed Enlistment Program makes current end strength projections achievable.

ARMY

General **Mahaffey**. Fighting to achieve and maintain pay comparability with the private sector. Preventing further erosion of those benefits which have been traditionally linked to honorable military service and have been the driving factors in retaining the officer and non-commissioned officer career force, i.e., military retirement and medical benefits.

Targeting enlisted bonuses and educational supplemental benefits, particularly the Army College Fund, to high quality recruits.

Improving the quality of life at the unit level, i.e., barracks, gymnasiums, medical and dental centers, and ensuring we orient our quality of life issues to encompass the military family, e.g., adequate housing and child care facilities.

Matching skills with positions to enhance job satisfaction and retention.

Conducting research to better understand the market place and to better target recruiting resources.

Providing resources for 711 Junior Reserve Officer Training Corps detachments and 315 Senior Reserve Officer Training Corps detachments.

Targeting Reserve Officer Training Corps scholarships to attract hard skill disciplines.

LIST OF CRITERIA

Senator **Jepson**. What list of criteria is currently used to decide whether new units will be activated in the active, Reserve, or National Guard?

AIR FORCE

General **Chain**. The Air Force is proud of its support for reserve forces. Within the AF corporate structure each mission area and major program is scrutinized to ensure resources are distributed for the highest payoff in warfighting capability. The AF feels the FYDP reflects a near optimium mix between active and reserve forces.

A number of factors and criteria are useful in determining the active and reserve mix. These factors would be equally applicable to activation of new units. Mission requirements and characteristics of the forces is the overriding criteria. Air Reserve Force personnel bring active duty experience to their duties which allows them to maintain proficiency within the limited training time available. While ARF personnel have the potential for performing the most demanding missions and tasks, practical considerations of limited training time must influence missions assignment. The need for permanent forces overseas requires a sizeable stateside rotation and training base in the active force. Experience has also indicated that missions requiring high peacetime activity rates or alert commitments are less attractive for ARF participation. Prominent examples include strategic tanker, bombers, and missiles. Conversenly missions with large combat surge requirements are particularly suited to the ARF. Training considerations are an important criteria because the ARF depends, to a large degree, on the active force for initial training, as well as equipment procurement, logistics support, and as a recruiting source for prior-service personnel.

Based on the criteria outlined above, decisions on new units follow established and proven guidelines. New KC-10 and C-5B aircraft will enjoy full ARF participation in the associate program. High surge requirements make these particularly attractive. Conversersly, the Ground Launched Cruise Missile (GLCM) and B-1 bomber missions, using the criteria above, do not lend themselves to large ARF participation. In fiscal year 1984 the ARF will grow by 5600 personnel and over the FYDP an increase of 26,500 personnel is programmed. Mission areas include airlift, fighter, medical, aerial port, and air base defense.

NAVY

Admiral **Moreau**. When a new unit is programed it is designated active or reserve component based upon the wartime missions assigned and the urgency of its employment following mobilization.

MARINE CORPS

General **Maloney**. The Marines Corps' peacetime force structure is a balanced, fiscally constrained structure that responds to the Defense Guidance regarding mobilization capability and day-to-day contingency posturing that includes forward afloat deployments. As such it achieves a force balance among combat, combat support, and combat services support functional capabilities.

Force structure is built on a total force concept utilizing active and reserve components, to provide the essential unit structure required to fulfill peacetime missions and concurrently to provide an adequate base for transitioning to wartime requirements. This concept reflects time phased depoloyment and mobilization planning factors, and provides a fiscally responsible and operationally responsive balance.

The Marine Corps' current program is directed toward providing this nation three active MAFs and a Reserve Division/Wing Team (DWT). Such a structure conforms to the minimum structure legislated by Congress and contained in Title 10, USC. The internal composition of the Divisions, Wings, and Combat Service Support Groups comprising our Fleet Marine Forces is the responsibility of the Commandant. This affords the necessary flexibility to meet challenges posed by a changing threat, the requirement to respond to DOD guidance/policy, and the ability to adjust to resource constraints.

The total impact of strategy, policy, and force structure considerations serves as the basis for the Marine Corps' force structure. The Marine Corps' force structure is designed to meet specific affordable fiscal year end strength requirements. Changes to the current force are based largely on considerations evolving from the Five Year

Defense Program. Manning that required force structure involves a manpower estimate of attainability.

Manpower programmers annually reassess the combination of factors affecting manpower attainability over a five year period. These factors include: The numbers of qualified individuals potentially available.

The state of the national economy.

The quality goals we wish to achieve.

The availability of recruiting resources.

The anticipated reenlistment projections.

And other determinants.

Manpower attainability therefore affects decisions on how the force structure will be manned. Certain units are, for example, identified for cadre status, while others are manned at less than 100 percent. As part of the process, new enhancement initiatives are evaluated on the basis of their manpower impact in terms of requirements and cost. The force structure manning and readiness posture required to execute the national strategy translates into specific and detained requirements toward which programming action are then directed. The resulting profile represents our programming goal for the designated program year.

ARMY

General **Mahaffey**. The decision on whether untis will be activated in the active or reserve components is based on many factors.

The Army Plan establishes broad guidelines for the approved force of Active, Army Reserve, and National Guard units to insure that the Total Army is ready for sustained land warfare to support the national security objectives.

The process of developing the specifics of the Army Program Force for submission to the Office of the Secretary of Defense utilizes a bliennial computer-assisted study called the Total Army Analysis (TAA). The Total Army Analysis provides an analytically derived statement of the force required to support the programmed number of divisions in the global scenario described in the Defense Guidance. Given the TAA requirement analysis, the Army Staff interacting with the major Army commands, (MACOMS), considers the mission, deployment and readiness requirements, time of availability, political agreements, risk assessments and available resources in establishing whether each specific unit requirement should be satisfied with either an active or reserve component unit or should be shown as an unresourced requirement (shortfall).

EUROPEAN TROOP STRENGTH

Senator **Jepsen**. Dr. Ikle, on page 18 of your statement you raise the issue of the Congressionally-mandated ceiling on troop strength in Europe. Could you elaborate for the record the specific readiness problems that this provision will cause and what alternative you are considering to limit the effect of this provision?

Dr. **Ikle**. At the present time the OSD and JCS staffs are reviewing our planned strength increases in both fiscal year 1983 and fiscal year 1984 in light of the congressional ceiling on the number of U.S. military personnel we can have permanently based ashore in European NATO countries at the end of fiscal year 1983. This review is not yet complete. I, therefore, do not know what specific readiness problems this provision will cause. Prior to the imposition of the ceiling, however, we planned to increase our strength ashore in European NATO countries by about 5,900 spaces in fiscal year 1983 and an additional 4,800 spaces in fiscal year 1984. One of the alternatives we are considering in fiscal year 1983 is to reduce the number of people we sent to Europe at the end of fiscal year 1983 to fill our authorized positions. In fiscal year 1984 we are reviewing all our support functions in Europe and considering converting as many as possible (in light of readiness and deployability considerations) of the military support personnel to civilians.

WARTIME HOST NATION SUPPORT

Senator **Jepsen**. Doctor, on page 23 of your statement you lay out a very positive case for the Wartime Host Nation Support program. What effect will the continuing resolution funding prohibition have on the implementation of this program?

Dr. **Ikle**. In the long run, I firmly believe that congressional failure to fund this program endangers the military revitalization and political cohesion of NATO. While there is general agreement that both we and our allies need to do more, I believe that we will fail in that objective if we unilaterally withdraw from this agreement designed to strengthen deterrence and impair NATO's conventional defense capability. In the near-term, the Germans have told us that unless we can inform them by the end of May that U.S. funding is approved, they will have to postpone activation of the scheduled units until 1984. If fiscal year 1984 funds are not made available, the activations will be postponed for at least a year since the German Bundestag (Congress) cannot be expected to provide German funds for 1984 if the U.S. has not done its part.

GROWTH RATE OF SOVIET MILITARY SPENDING

Senator **Jepsen**. Dr. Ikle, during the past week, the press has reported controversies within the intelligence community over the rate of growth of Soviet military spending. Since this is a prime measure of the threat which conditions our force structure, a consensus in this area is vital.

What is your view on the current discrepancies on reported Soviet military growth rates?

Dr. **Ikle**. There is general consensus on most important points:

Over the decade 1972-1981, the total Soviet military program measured in dollar cost terms was about 45 percent larger than our own; while Soviet military investment (military procurement, construction, and RDT&E) was about 80 percent larger than our own.

These magnitudes represent a complete reversal of the situation of the 1950s and early 1960s, when U.S. total defense programs and military investment programs were considerably larger than those of the Soviet Union.

The reversal is due to U.S. defense budgets which fluctuated but showed no long-term real growth over the period 1960-1980, and to Soviet activities which increased over the same period at an average annual rate of 3 percent per year (measured in dollars). Soviet military investments increased at about 4-5 percent per year over the two decades.

The discrepancies referred to are very small, and concern the precise trend of Soviet military procurement over the last five years. Statements about short-term trends are inherently more uncertain than statements about long-term trends, because the margin of error is greater, because of a necessarily smaller data base, and because of sensitivity to assumptions about the precise timing of Soviet military production.

While this difference in growth rate is being carefully studied by the intelligence community, its significance should not be exaggerated. The source of the current difference is not related to the costing methodology. There are some uncertainties about the timing of Soviet production, but there is little doubt about its overall magnitude.

Whatever trend Soviet military spending takes in the near term, the absolute size of the Soviet military program is already very large indeed. It is not only much larger than the U.S. program now—investing 70 percent more resources than we do in the crucial military investment categories—it has been much larger for most of the past decade. The Soviet Union has accumulated a stock of military assets far larger than our own, and maintain a more rapid rate of moderization than we have for a very long time.

Senator **Jepsen**. Dr. Ikle, although U.S. military strategy has deterred direct Soviet attack for many years. It has not succeeded in preventing the use of Soviet proxies to destabilize Third World countries and support anti-Western movements. Is our current force structure and defense strategy designed to counter this growing threat to our national security?

Dr. **Ikle**. Safeguarding our security requires military forces capable of deterring or, if necessary, meeting aggression across the entire spectrum of conflict, from internal instabilities to nuclear attack. Since the end of the Vietnam war, our capability to handle threats as the low end of the spectrum has atrophied. Our objectives and the resultant strategy recognized the need for a robust capability, but the resources necessary to support our special operations forces were not forthcoming. Improving our ability to meet successfully threats to the stability of our friends and allies in the Third World is a high priority of this Administration. Each of the Services is expanding its special operations forces and providing these forces with modern equipment. We are already seeing the results in terms of our ability to respond rapidly with highly capable, tailored forces. The fiscal year 1984 Defense Budget continues to support this high priority program.

Senator **Jepsen**. General Mahaffey, in the U.S. Air Force and Navy one sees reservists fulfilling a significant proportion of peacetime and anticipated wartime responsibilities—one half of the Air Force strategic airlift, two-thirds of the continental air defense interceptors, and all of the Navy's continental U.S. logistical airlift.

Has the Army considered the introduction of similar "Associate" programs to reduce the demand of active duty personnel? Couldn't there be a greater integration of Reserve personnel into active duty units, particularly in the areas of combat support, intelligence, and base operations?

General **Mahaffey**. Mr. Chairman, as I previously stated, four National Guard brigades and eight National Guard or Reserve battalions serve as roundout elements to active duty divisions.

The Reserve Components are also assuming a significant portion of the Army's peacetime responsibilities. Our Reserve Component units not only train for their wartime mission, but also provide support to the Active Component. We have Reserve Component maintenance units that perform repairs on Active Component equipment during both weekend training and annual training. In addition many combat support and combat service support units provide installation support in conjunction with annual training. This is particularly prevalent with engineer and maintenance units.

Nondivisional maintenance units will perform maintenance on Active Component equipment at the National training center, Fort Irwin, California. This will enable the unit to practice maintenance operations under desert conditions and reduce maintenance backlog thereby increasing equipment availability for exercises at the National Training Center. Additionally, maintenance units perform maintenance overseas at Combat Equipment Group Europe equipment sites on equipment used by both Reserve Component and Active Component units in Overseas Deployment Training exercises.

Many of our Reserve Component hospital personnel work in Army hospitals during their weekend drills and perform annual training in a "modular program". The "modular program" consists of teams, of approximately 15 medical professionals and technicians, that are segmented from their units to perform two weeks of annual training at specified Army hospitals, thereby augmenting the Active Component hospital staff on a continuing basis.

We have transferred Active Component missions and functions to the Reserve Components wherever practical. The Army National Guard now operates the Navajo Army Depot in Arizona and the Aviation Classification and Repair Army Depot at Gulfport, Mississippi, performs depot level maintenance and repairs on the entire OH-6 helicopter fleet.

The Army National Guard currently provides instructors to the U.S. Army Air Artillery School at Fort Bliss, the U.S. Army School of the Americas in Panama, and the U.S. Army Aviation Center at Fort Rucker. National Guard captains are also serving on tours of duty with Active Component units in Europe.

The Army National Guard has the only Military Intelligence (Linguistic) Battalion in the force structure. The unit provides linguistic support to the U.S. Army Intelligence Command, worldwide, on a year round basis.

The Individual Mobilization Augmentation Program has recently been expanded to include assignments to Active Component tactical units. The purpose of the program is to rapidly bring our Active Component units from peace time authorized levels to wartime required levels during mobilization. Our Individual Mobilization Augmentees will train with their assigned active unit for approximately two weeks every year and are prepared to report to their units upon mobilization.

The U.S. Army Reserve has 59 Strategic Military Intelligence Detachments located worldwide. These units are nine man organizations that perform actual intelligence analysis missions assigned to them by the U.S. Army Intelligence Command. They perform work that is not time sensitive thereby enabling Active Component personnel to pursue more time critical duties.

Maneuver Area Commands and Maneuver Training Commands have the mission to write and conduct training exercises/evaluations and have provided this assistance to Active Component units during the preparation and conduct of exercises. Exercise controllers and evaluators provided by the Maneuver Area Commands and Maneuver Training Commands free Active Component personnel for increased player participation in exercises.

We will continue to increase the integration between the Active and Reserve Components whenever practical.

NATIONAL GUARD IN CENTCOM

Senator **Jepsen**. A limited number of National Guard units has been assigned responsibilities in the U.S. Central Command (CENTCOM), formerly the Rapid Deployment Force. To what extent could a larger dedication of National Guard Forces result in a reduction of active personnel requirements?

General **Mahaffey**. Army National Guard units are designated for essential requirements of Central Command. Assigning additional Central Command missions to the Army National Guard does not correspond or equate to a reduction of active personnel requirements, but may free active manpower to meet other needs enabling the Army to use limited resources to best advantage. The Army component of Central Command has been organized to provide the essential forces necessary in consonance with overall Army requirements and available resources.

ACTIVE TO RESERVE DIVISION TRANSFER

Senator **Jepsen**. What cost savings could be achieved, both immediate and long term (10 years), by the retirement of two active duty divisions, and the assignment of their wartime responsibilities to Reserve Forces.

General **Mahaffey**. The Army does not support the inactivation of two Active divisions with equivalent activations in the Reserves. Such an action would seriously jeopardize the Army's ability to accomplish its mission.

The cost analysis given below used the following parameters:

Inactivate one USAREUR mechanized division in fiscal year 1984 and transfer its equipment to POMCUS.

Inactivate one full CONUS mechanized division in fiscal year 1984 and transfer its equipment to the Reserve Components.

Reassign all personnel in these divisions in fiscal year 1984.

Reduce active end strength in fiscal year 1984 by 34,000 through reduced accessions and reduction in force.

Begin activation of two completely new RC divisions in fiscal year 1984. Both require new facilities (less 1 Brigade). One division requires a new equipment set.

The analysis does not include the closing of installations and other life support functions.

Based on this analysis, costs would increase by approximately $867 million in fiscal year 1984. The first year of savings would be fiscal year 1988, by which time cumulative costs would exceed $1.7 billion. There would be no cumulative savings until fiscal year 1996. The long term steady state saving would be approximately $220 million a year beginning in fiscal year 1989.

QUESTIONS SUBMITTED BY SENATOR J. JAMES EXON

EUROPEAN TROOP STRENGTH

Senator **Exon**. Secretary Ikle, the ceiling on U.S. military personnel in Europe at the end of fiscal year 1983 is 315,600. What anticipated increases in troop levels originally planned for fiscal year 1983 did the Defense Department forego in order to stay within this ceiling.

Dr. **Ikle**. The OSD and JCS staffs are still studying this situation and have not yet made a recommendation to the Secretary of Defense. When this decision is made, we will provide you the results.

Senator **Exon**. Secretary Ikle, what level of U.S. military personnel in Europe are you requesting for fiscal year 1984? Please identify by Service and function where these increases will be made.

Dr. **Ikle**. The current Department of Defense plan for U.S. military personnel permanently stationed ashore in European NATO countries in 1984 is higher than the ceiling the Congress placed on that strength for end fiscal year 1983. The Services, Joint Staff and OSD staff are currently reviewing this plan in light of the intent of the Congress when it imposed that ceiling for end fiscal year 1983.

Senator **Exon**. Secretary Ikle, what increases in U.S. troop strength in Europe are programmed in the current 5-Year Defense Plan? Again, please identify by Service and function where these increases will take place.

Dr. **Ikle**. This information is not now available beyond fiscal year 1984 because we have not routinely projected the detailed geographical distribution of our military strengths into the outyears of the Defense program. In light of the greatly increased interest in this aspect of our planning, we have asked the Services to provide us this information in the May 1983 submission of their fiscal year 1985–1989 Program Objective Memoranda.

WARTIME HOST NATION SUPPORT

Senator **Exon**. Secretary Ikle, as you know in the fiscal year 1983 Continuing Resolution, the Congress deleted all funds in the Defense Department's budget request for the support and equipping of West German Reservists. These funds had been requested to carry out the U.S. share of the recent U.S.-West German agreement on wartime host nation support.

How was the Congress' action on this issue received by the West Germans?

Does the fiscal year 1984 budget include funds to purchase equipment for German Reserve forces?

Dr. **Ikle**. Senior West German officials have expressed their deep concern over Congressional failure to fund the U.S. share of 1983 implementation costs for the wartime host nation support agreement. Continued failure on our part to support the program will jeopardize the rapid reinforcement of Europe deemed vital by the Alliance. Senior German defense officials have stated that final decisions by the German Parliament with respect to funding for 1984 cannot ignore the actions of the U.S. Congress.

The fiscal year 1984 budget request includes $39.1 million to pay the U.S. share of costs. Minimum essential funding (less than $10 million) will be requested in the Supplemental Appropriations Request for fiscal year 1983.

POMCUS SETS 5 AND 6

Senator **Exon**. Secretary Ikle, as you know, the fiscal year 1983 Continuing Resolution included a provision prohibiting the Defense Department from shipping equipment to Europe to begin filling POMCUS Sets 5 and 6.

How was the Congress action on this issue received by our NATO allies?

Does the fiscal year 1984 budget include funds to begin shipping equipment to Europe to fill POMCUS Sets 5 and 6?

Dr. **Ikle**. Congressional failure to fund the POMCUS 5 and 6 program has led to expressions of considerable concern on the part of our NATO allies, notably the FRG, Belgium, and the Netherlands. As you know, the latter two countries have spent more than $50 million to acquire the real estate for storage warehouses for Division Sets 5 and 6. The NATO Infrastructure program has allocated more than $180 million for construction at these sites. These contributions were made with the understanding that the prepositioning of three additional division sets of equipment (i.e., POMCUS 4, 5, and 6) would enable the United States to provide a ten-division D-Day force. We believe a United States capability to provide ten divisions by D-Day will make a very significant contribution to deterrence as well as to U.S. and NATO warfighting capability. In our view, the least expensive way to guarantee a ten-division U.S. force at D-Day is through prepositioning. In the near-term, it is the only feasible way.

The fiscal year 1984 budget request includes $37.6 million to pay operations and maintenance and transportation costs associated with the POMCUS 5 and 6 program. The Department of Defense intends to request, in the Supplemental Appropriations Request for fiscal year 1983, the minimum essential funding ($5 million) and authority to proceed with Division Sets 5 and 6. We strongly encourage Congressional support of this program designed to contribute substantially to alliance defense capabilities.

KOREA AND THE FAR EAST

Senator **Exon**. Are there any plans to change the current level of U.S. troop presence in Korea over the next 5 years?

Dr. **Ikle**. There are no plans for substantive changes in the U.S. troop presence in Korea. There will be some adjustments in strength as new equipment is fielded and units are reorganized to accommodate these new capabilities.

U.S. STRATEGY—CENTRAL AMERICA

Senator **Exon**. Secretary Ikle, has there been any change to our current military strategy and projected deployment of forces as a result of events in Central America during the past year?

Dr. **Ikle**. Our policy remains that the best way to prevent Soviet and Cuban expansion in the region is by providing the countries the necessary resources to address the political, social and economic ills that are the roots of the insurgency, the very factors that Castro has both exploited and exacerbated. But security assistance is the shield behind which the needed reforms can take place. It is for that reason that we are requesting the additional economic and security assistance for the region.

U.S. FORCES IN PANAMA

Senator EXON. What level of forces do we currently have stationed in Panama under the Commanding General of the Southern Command? Has there been any increase in the level of U.S. troops stationed in Central America in the past year? Are any increases planned this year, or in fiscal year 1984?

Dr. IKLE. There are approximately 9,000 military personnel assigned to the U.S. Southern Command. There has been no significant change in the level of Panama-based military personnel in the past year. We are constantly reviewing manpower requirements, but no decisions have been made on any increases for 1984. The size of our MILGPs has likewise remained constant. There are fluctuations with the temporary duty personnel that are assigned for specific training missions in each country. For example, in El Salvador the trainers ranged from approximately 25 to 55, with an average of approximately 37 trainers and 6 MILGP personnel.

NAVAL FORCES IN THE CARIBBEAN

Senator EXON. What is the current level of our Naval forces operating in the Caribbean? Are any increases planned this year, or in fiscal year 1984?

Dr. IKLE. Navy Caribbean operating levels vary from day to day. U.S. Naval Base Guantanamo Bay, Cuba and U.S. Naval Station Roosevelt Roads, Puerto Rico and shore facilities with missions to support Atlantic Fleet training and readiness. Navy manning levels are approximately 1,850 and 2,000 respectively. Other than a small number of utility aircraft which provide training servies, there are no operational forces stationed at either Guantanamo Bay or Roosevelt Roads. Navy, also, operates an oceanographic research and data collection facility at Antiqua. This facility is manned by approximately 100 personnel and no fleet operating units are assigned.

Navy regularly operates ships and aircraft in the Caribbean. These forces reached a relatively high level in mid-March when 35 ships, including three aircraft carriers, participated in a major Atlantic Fleet exercise in the Puerto Rico operating areas. At the same time seven other ships were undergoing refresher training at Guantanamo Bay. Navy averages 8-12 ships in the Caribbean when no major training exercise is in progress. Fleet operating levels will continue to vary in a similar pattern during 1983-84. While no increase in operating force levels is planned under current circumstances, Navy could surge forces to the Caribbean should a regional crisis demand. Navy has determined that the requirement for Naval Facility Antique will no longer exist after 30 June 1984 and plans for closure are in progress.

U.S. TRAINERS IN EL SALVADOR

Senator EXON. How many troops are currently in El Salvador?

Dr. IKLE. We have six personnel assigned to the Milgroup to manage and oversee the security assistance program. Additionally, we had 44 trainers in El Salvador as of Mar. 30, 1983. During the past year, we have averaged approximately 37 trainers and 6 MILGP personnel in-country.

RESTRICTIONS ON U.S. TRAINERS

Senator EXON. What restrictions, if any, have we placed on the role U.S. troops currently stationed in El Salvador?

Dr. IKLE. Neither USMILGP nor training personnel are authorized to participate in combat operations with the Salvadoran military. U.S. personnel are further restricted to areas in which the possibility of involvement in hostilities is considered minimal (recognizing that in a country subjected to an insurgency there are no absolutely secure areas).

U.S. TRAINERS IN EL SALVADOR

Senator EXON. Is there any consideration being given within the administration to increasing the number of U.S. troops in El Salvador and widening their role?

Dr. IKLE. As the President said in his March 10, 1983, speech to the National Association of Manufacturers, we are currently reviewing how we can provide the most effective training possible, what is the minimum level of trainers necessary, and where this training should take place. The more training that can be done out of El Salvador, the less trainers will be required in country. But out-of-country training is much more expensive. Consequently, the level of trainers will depend on the resources made available to us. However, as the President made very clear, we are not planning to use our security assistance personnel as combat advisers.

MARINE CORPS

General **Maloney**. U.S. military personnel in El Salvador are assigned to the Milgroup and Defense Attache's Office. All personnel staffing requirements for Milgroups and Attache Offices throughout the world are periodically reviewed. In El Salvador, additional U.S. military personnel are temporarily assigned to the Milgroup as military trainers. The Military Trainers operate under the auspices of the Foreign Assistance Act and their role is clearly delineated in public law.

STRATEGY AND FORCE STRUCTURE

Senator **Exon**. Gentleman, last year at this hearing each of the military services' witnesses testified that the forces they required to carry out the strategy outlined in the Joint Strategic Planning Document with "reasonable assurance" were significantly greater than the forces in their respective budgets under the current Five-Year Defense Plan.

Is this true this year also? Is the number of Army divisions, Navy carrier battle groups and Air Force tactical fighter wings which you feel are required to carry out the strategy in the Joint Strategic Planning Document greater than the force levels supported by the current Five-Year Defense Plan?

AIR FORCE

General **Chain**. [Deleted.] However, the "planning force" displayed in the Joint Strategic Planning Document is a statement of force requirements: a goal which should be used for development of mid-range constrained force objectives in the program development process, and a benchmark for assessing risk inherent in the programed and current forces. Additionally, if unexpected increases in the threat or a combination of unlikely adverse events occur, even the current planning force may not provide "reasonable assurance" at the outset of global war. One must also understand that the planning force is derived from the CINCs "minimum risk force." The minimum risk force represents those fully structured, supported, and manned forces required to achieve national military objectives in the force planning scenarios with minimum risk and without requiring first use of nuclear weapons. The planning force (reasonable assurance) differs from the minimum risk force in that missions are prioritized, duplicative threats are eliminated, and force employment is sequenced to carry out the military strategy at an increased level of risk.

NAVY

Admiral **Moreau**. As in previous years, the Joint Strategic Planning Document contains the best military judgment of the Joint Chiefs of Staff regarding military strategy to achieve national military objectives and the force structure required to implement that strategy with a reasonable assurance of success. This "planning force" is sized to respond to a global war scenario specified annually in the Defense Guidance. Although not fiscally constrained, the planning force does assume full allied support and incorporates sequential operations to avoid excessive mobility force requirements. The planning force is, however, significantly larger than the force projected in the current 5-year defense plan, due to current fiscal realities.

MARINE CORPS

General **Maloney**. The JCS, in the Joint Strategic Planning Document (JSPD), recommend the planning force levels necessary to carry out the national military strategy with a reasonable assurance of success. That planning force serves as a benchmark and goal to guide and evaluate our force development. The size and organization of the planning force is predicated on the threat and a likely scenario for deployment of the planning force to meet that threat.

A measured programed force expansion has been recommended by the JCS in the JSPD and endorsed by the National Command Authorities in the Defense Guidance. Force levels provided for in this year's POM are realistically attainable within current budget guidelines. Each successive budget year should bring us incrementally closer to the planning force goals. However, when compared to planning force requirements, our programed force levels, supported by the current Five-Year Defense Plan, remain inadequate [deleted]. In essence, we plan for the most demanding situation and program for the most likely.

ARMY

General **Mahaffey**. The forces required to achieve the Army "long-term goal" will require more resources than are currently contained in the Reagan Five-Year Defense Plan. [Deleted.] However, developing a force capable of executing the national military strategy remains a realistic and viable goal, and provides the Army a baseline from which to measure risk and weigh alternatives.

STRATEGY AND FORCE STRUCTURE

Senator **Exon**. Has there been an increase in the forces required to meet the strategy of the Joint Strategic Planning Document since this time last year?

AIR FORCE

General **Chain**. [Deleted.]

NAVY

Admiral **Moreau**. Naval forces in the current JSPD are somewhat larger than at this time last year. This is due to a more demanding force sizing scenario in last year's Defense Guidance than in the previous edition.

MARINE CORPS

General **Maloney**. The Marine Corps Planning Force is defined in the JSPD [deleted]. That force has remained unchanged since last year.

ARMY

General **Mahaffey**. There are no appreciable changes in the Army planning forces as defined in the Joint Strategic Planning Document. Since the strategy has remained constant and the threat projections to fiscal year 1992 have revealed only marginal changes, Army forces required to meet the strategy and provide a reasonable assurance of success have experienced no change.

STRATEGY AND FORCE STRUCTURE

Senator **Exon**. Are we any closer to closing the gap between strategy and a "reasonable assurance" force than we were at this time last year? Is this gap larger, smaller, or roughly the same size as last year?

AIR FORCE

General **Chain**. [Deleted.]

NAVY

Admiral **Moreau**. The gap between strategy and forces still exists, but exists between the strategy and the current and programed forces rather than the reasonable assurance or "planning" force, which is specifically structured to execute the strategy. The programed forces are steadily growing, however, significant risk still exists.

MARINE CORPS

General **Maloney**. In as much as the Marine Corps Planning Force has remained constant, the so called "gap" between strategy and reasonable assurance forces is roughly the same size as last year.

ARMY

General **Mahaffey**. A "reasonable assurance" force is that force required to execute the national strategy with a reasonable chance of success. Since the strategy has remained constant and threat projections to fiscal year 1992 only marginally altered, Army forces required to meet the strategy and provide reasonable assurance of success remain essentially the same. Those forces we have programed and might expect to be available at the end of the FYDP still fall short of our identified needs, and that translates into a greater degree of risk which we must accept. The Army is, however, making significant progress in improving our range of military capabilities by modernizing our equipment, developing innovative joint doctrine for future battlefields, and creating modern, well-equipped, flexible forces which are rapidly deployable worldwide, and technically and tactically sound to insure favorable outcomes should deterrence fail.

STRATEGY IN JOINT STRATEGIC PLANNING DOCUMENT

Senator **Exon**. Gentlemen, what is your assessment of your Service's ability to carry out the strategy outlined in the current Joint Strategic Planning document with the forces you will have under the current Five-Year Defense Program?

AIR FORCE

General **Chain**. The current Joint Strategic Planning Document recognizes the potential requirement for [deleted] reinforcement of Europe, and deployment of forces to Southwest Asia and to the Pacific. However, this strategy also recognizes the requirement for [deleted] based upon the threat, our interests, and circumstances at the time.

The Air Force of 1983 is very capable and we are making substantial progress in our force modernization programs designed to enhance our capability to support deployments. [Deleted] we expect to be able to support the operations envisioned in the Joint Strategic Planning Document.

[Deleted.]

NAVY

Admiral **Moreau**. The current Five-Year Defense Program represents a significant step toward regaining required maritime strength.

[Deleted.]

MARINE CORPS

General **Maloney**. At the end of the Five-Year Defense Program (FYDP), the Marine Corps would still remain essentially a three MAF force in addition to a Division-Wing Team of Reserves—the current structure of the Marine Corps. However, within this structure at the end of the FYDP, there will be significant enhancements in the Corps' deterrent, forcible entry, and war-fighting capabilities. Specific enhancement programs in infantry firepower (SMAW, SAW, improved mortars), anti-armor (TOW, Dragon, Laser Maverick, Hellfire, Gator), artillery (M-198, additional 155mm SP, PGM, FASCAM), mobility (LAV, HMMWV, SLEP of LVT7A1) and aviation (AV-8B, F/A-18, JVX) will all greatly increase the Corps' overall combat readiness with emphsis on a balanced air-ground team. In turn, the Corps will be well capable of accomplishing its mission in support of the current Joint Strategic Planning Document. Nevertheless, there are risks involved. The programmed three Active MAFs, one Reserve DWT, and amphibious shipping for one MAF(AE) lift are inadequate to meet all of the amphibious force requirements necessary to execute the strategy. The absence of fully structured MAFs as well as a fourth Active MAF, the delay in deploying the Reserve DWT as a MAF, and the limited amphibious shipping would necessitate greater sequencing of forces from theatre to theatre than the strategy dictates. This would preclude conducting all but the strategically essential amphibious/reinforcing tasks envisioned.

ARMY

General **Mahaffey**. The military strategy to which you refer and recommended by the Joint Chiefs of Staff is designed to attain national military objectives in support of U.S. national security goals. A planning force is identified which we believe can execute that strategy with a reasonable assurance of success.

The forces which we have programmed and might expect to be available at the end of one 5-year program, however, still fall short of our identified needs, and that translates into a greater degree of risk we must accept. It also translates into the need to establish priorities for sequential operations should that be necessary so that we can apply our military power in the most effective way.

"LONG-TERM GOAL"

Senator **Exon**. I want to ask each of the services about the "long-term goal" of defending "NATO, Southwest Asia, the Pacific and support for other areas simultaneously."

When will each service have this capability?

AIR FORCE

General **Chain**. We must first distinguish between the five-year defense program which extends to 1988, and our long-term goals which extend our over a period of 15 years into the future. The Air Force portion of the long-term goal of simultaneous defense of Europe, Southwest Asia, the Pacific and support for other areas includes the deployment of tactical fighter squadrons and the provision of sufficient airlift forces to deploy other forces as required. Currently, of course, we are unable to meet these long-term goals, nor do we plan to meet them by the end of our current five-year defense program. To do so would require significantly more resources than we can realistically expect. However, our modernization and force expansion efforts are now underway, and if funding continues at planned levels, we will make significant progress by the end of the five-year program. For the long term, a continuing commitment of resources is necesssary, especially to the C–17 and our airlift programs. The goal is based upon the projected threat, is realistic, and can be achieved with required resource commitments.

NAVY

Admiral **Moreau**. Such a simultaneous global capability, assuming a reasonable assurance of success in execution, will
[Deleted].

MARINE CORPS

General **Maloney**. The Marine Corps will not have this capability at the end of the Five-Year Defense Program because the operative word in this strategic objective is "simultaneously." In the long-term, to accomplish such an ambitious objective in wartime would require a force on the order of magnitude to that of the Planning Force. Currently the Marine Corps is projecting force expansion to levels identified as essential in building toward the Planning Force. The total Marine Corps Planning Force needed in an overall force compositions that is able to successfully execute the national military strategy, with reasonable assurance of success, is [deleted] would permit proper employment of these forces, and constitutes an element of the Navy's Planning Force. The Marine Corps Planning Force will not be structured until required strategic mobility assets are programmed.

ARMY

General **Mahaffey**. That is a very difficult question because there are many ways of looking at capability and missions. The Army has defense missions in each of the theaters of the world you have mentioned to include other major regional areas in which U.S. interests lie. Let me address where the Army stands today, tell you what we feel is required to meet the threat in the next ten years, and lastly where I think we are going.

Given each mission in the three major theaters in isolation, we [deleted]. When you look at simultaneous global commitments, we are probably [deleted] because it requires the smallest effort; because it demands [deleted].

We have strengths and weaknesses which vary in all theaters. Our strengths in NATO and Northeast Asia are reliable allies and forward deployed forces which provide an infrastructure base for reinforcement as well as acting as a deterrent. Our most serious weaknesses [deleted]. When we assume that we would have to execute more than one of the missions at the same time, then these weaknesses are magnified.

The Joint Chief of Staff, in the most recent JSPD, established a force requirement of [deleted] fully structured and fully supported divisions to meet the global commitments in these three theaters and maintain a [deleted] strategic reserve in CONUS. This force would provide reasonable assurance of executing the national military strategy. We fully realize that the resources required to build such a force will [deleted]. We are however steadily making progress as we are rectifying [deleted] for wars of indeterminate length. By fiscal year 1985, two additional National Guard divisions will have entered the force through brigade consolidations and [deleted]. This force should provide substantial capability increases in a global conflict [deleted].

Low intensity conflict in other regions has also received a great deal of attention. Our capability in 1982 was critically short. With major force enhancements for our Special Operations Forces, to include the formation of a new Special Forces Group with two battalions in fiscal year 1984 and an Army Special Operations Command, we are well on the road to building an operational capability to protect U.S. interests in these regions.

The key to when we will "have this capability" you mentioned actually lies more with our potential adversaries. As long as they perceive our forces to be capable of protecting our interests, even in a simultaneous global conflict, then we may never have to validate our own assessments.

BROAD STATEMENT

Senator **Exon**. Is this the type broad statement of strategy from the Secretary of Defense that you base your Joint Strategic Planning Document on?

AIR FORCE

General **Chain**. Yes, in part. The Joint Strategic Planning Document (JSPD) is the Joint Chiefs of Staff advice to national military authorities on the effectiveness of current and programmed U.S. forces, and force levels and capabilities required to attain national security objectives with a reasonable assurance of success. This type of statement, which articulates our strategy, is one consideration in developing the JSPD. Other considerations are National Security Decision Directives, National Security Study Directives, current intelligence estimates of enemy threats and capabilities, and other policy statements. Such a statement of a specific long-term goal is considered, but is not the only basis for JSPD development.

NAVY

Admiral **Moreau**. Achievement of the JCS Planning Force will require a significant increase in resources over those currently programmed. Such a goal is realistic over the longer term with a sustained commitment to national defense.

MARINE CORPS

General **Maloney**. Those type statements are, of course, considered to be essential to the formulation of our recommended strategy. The Services also consider supplementary guidance from respective Secretaries of the Services, the recommendations from the CINC's, the assessment of the threat, and the principal guidance as set forth in Presidential national security directives. All the foregoing are considered in addition to the National Security Objectives as set forth in the Defense Guidance—these are of central importance and serve as a focal point for all our efforts. Only then do we recommend a military strategy to achieve these National Security Objectives. The Joint Strategic Planning Document is merely a vehicle to carry forth our recommended strategy to the Secretary of Defense. In sum, we do not hinge our strategy on one such statement in isolation.

ARMY

General **Mahaffey**. No, Senator, it is not. The Secretary of Defense and the Joint Chiefs of Staff work together in resolving a large number of strategic issues, and the guidance that the Secretary of Defense gives to the JCS and the Services for the annual development of the five-year program is far more specific than the statement you have quoted.

I might also refer to a previous answer that pertains here, because our guidance explicitly recognizes, as Judge Clarke did in a speech last May, that we do not have the forces to confront, say, the Soviets in multiple theaters simultaneously in a global war and that we must therefore establish priorities for sequential operations to ensure our forces are used most effectively.

REALISTIC GOALS

Senator **Exon**. Will this require more resources than are currently contained in the Reagan five-year defense program? How much more? Are these realistic goals?

AIR FORCE

General **Chain**. We must first distinguish between the five-year defense program which extends to 1988, and our long-term goals which extend out over a period of 15 years into the future. The Air Force portion of the long-term goal of simultaneous defense of Europe, Southwest Asia, the Pacific and support for other areas includes the deployment of tactical fighter squadrons and the provision of sufficient airlift forces to deploy other forces as required. Currently, of course, we are unable to meet these long-term goals, nor do we plan to meet them by the end of our current five-year defense program. To do so would require significantly more resources than we can realistically expect. However, our modernization and force expansion efforts are now underway, and if funding continues at planned levels, we will make significant progress by the end of the five-year program. For the long term, a continuing commitment of resources is necessary, especially to the C–17 and other airlift programs. The goal is based upon the projected threat, is realistic, and can be achieved with required resource commitments.

MARINE CORPS

General **MALONEY**. In answer to the first part of the question, we believe the Five-Year Defense Program to be correctly tailored and aimed at achieving a force structure capable of carrying out the strategy and achieving the national security objectives.

In answer to the second part, to go beyond the FYDP force would entail the building, equipping and manning of the Planning Force—an extremely ambitious program that would require near-mobilization measures, a greater portion of the GNP dedicated solely to national defense expenditures, and most importantly, the national will to accomplish such a great undertaking

In answer to the third part, we believe them to be not only realistic goals, but necessary goals, as well, in view of the increased size and quality of the Soviet armed forces. The unprecedented growth in their forces has enabled them to turn from a primarily defensive force posture to one increasingly capable of offensive actions. Thus we must strive for such goals to safeguard the Nation and protect our vested interests worldwide.

ARMY

General **MAHAFFEY**. The force required to achieve the Army "long-term goal" will require more resources than are currently contained in the Reagan five-year defense program. The cost of such Army force levels alone, in gross terms, requires the dedication of over 134 billion additional dollars during the current five-year defense program and an additional 374 thousand active, reserve, and civilian personnel, and it would still [deleted]. Dedication of these resources, without the perceived threat of imminent war, is unlikely. However, developing a force capable of executing the national military strategy remains a realistic and viable goal, and provides the Army a baseline from which to measure risk and weigh alternatives.

QUESTIONS SUBMITTED BY SENATOR SAM NUNN

INCREASING FORCE STRUCTURE

Senator **NUNN**. Dr. Ikle, early in this administration we heard a lot about plans to increase our existing force structure on the order of perhaps two active duty Army divisions, several new Air Force Wings and the like.

Secretary Weinberger's Posture Statement for fiscal year 1984 lists the only ground force structure increase as being the consolidation of three Army National Guard separate brigades into one new National Guard division.

What are the administration's long-range plans for overall force structure increases, aside from the Navy's expansion to a 600 ship fleet?

Dr. **IKLE**. In the fiscal year 1984–1988 5-Year Defense Plan, force structure elements that will expand are as follows:

	Fiscal year 1983 current force	Fiscal year 1988 programed force
General purpose forces Active/Reserve:		
Army Divisions	16/8	[Deleted.]
Navy Carrier Battle Groups	13/0	14/0
Air Force Tactical Fighter Wings	24/13	[Deleted.]

	Fiscal year 1983 current force	Fiscal year 1988 programed force
Mobility forces—Active/Reserve:		
Intertheater Aircraft	304/0	[Deleted.]
MSC Ships	58/0	[Deleted.]
RRF	38	[Deleted.]
Strategic Forces—Active:		
Navy SSBN's	33	[Deleted.]
Air Force Bombers	364	[Deleted.]
Air Force ICBM's	1,044	[Deleted.]

Senator NUNN. Dr. Ikle, the Congressional Budget Office recently issued a study which analyzed U.S. worldwide commitments. My summary of this study is that the U.S. is currently "overcommitted" to the defense of NATO and Southwest Asia in terms of our existing military force to defend both simultaneously. The study showed that if U.S. military forces are requred to be deployed to both theaters at the same time, we could not do the job adequately.

The conclusion was that we must either shrink our NATO commitment or increase the size of our overall force structure to accommodate both missions.

What is your reaction to this analysis and what are the Defense Department's plans to remedy this apparent mismatch between strategy and force structure?

Dr. IKLE. The United States has vital interests in Europe, Southwest Asia and other regions of the world that we cannot ignore. The Soviet Union poses the greatest threat to these interests, and it is against this threat that we determine our force requirements. Our planning must take into account the combination of our interests and the threats arrayed against those interests. It would be foolhardy for us to ignore the threats in a region where we had vital interests in an attempt to bolster our forces in another region. Furthermore, the security of Europe, and indirectly that of the United States, is tied to the security of the energy resources of Southwest Asia. The CBO study implies a certain independence between these two regions that does not exist in reality.

The CBO study also assumes that forces are "assigned to the RDF or to a particular region. In the case of Europe, we maintain forces forward deployed and in a rapid reinforcement status to enable us to meet our deployment commitments. Other forces are identified to the U.S. Cental Command or to other theater commanders for planning purposes. These forces are available to meet aggression in other regions, including Europe. The CBO study incorrectly implies that because a certain force size is used by USCENTCOM for planning a defense against a Soviet invasion, we would be less able to meet lower level threats. In fact, the purpose behind our planning is to allow forces to be tailored to meet a particular threat, so that forces are not "tied up" in one region when they could be more effectively employed in meeting threats in other areas. The CBO study also ignores our capability to redeploy forces from Southwest Asia to Europe if a decision were made to do so. The point is that all factors will be taken into consideration in deciding how we would deploy and employ military forces in response to aggression wherever in the world it occurred. It would be foolhardy to tell a potential enemy in advance that we were unwilling to conduct a viable defense of an area where we had vital interests as the CBO suggests is the case in Southwest Asia, in order to "guarantee" the availability of follow-on reinforcements for NATO. Our planning for Southwest Asia directly enhances NATO security. Our willingness to take on this burden should properly be supported by our European allies willingness to accept greater responsibility for reinforcing our forward deployed and rapid reinforcement forces. This is the alternative we seek, not the expansion of our force structure that the CBO considers the alternative to ignoring the defense of our vital interests in Southwest Asia.

The CBO correctly identifies mobility as the major constraint on our ability to meet our 10 day deployment commitments to Europe and the deployment requirements of a concurrent contingency in Southwest Asia. Our proposed program, including the addition of C-5 airlifters, KC-10 tanker/cargo aircraft, rapid sealift, and the prepositioning of supplies in Europe and Southwest Asia will alleviate this constraint by the end of the program period.

We do not eliminate the mismatch between the requirements to defend our vital interests and our military capability by ignoring areas vital to our security. The responsible approach is to acknowledge the problem and to work with our allies in a coalition approach to meeting mutual security requirements.

Senator NUNN. Dr. Ikle, how long will our Marines be staying in Lebanon?

Why hasn't the President notified Congress of their deployment to that country under the provisions of the War Powers Act?

Certainly, in the view of any reasonable person, those troops are in a potential danger area.

What is the latest on rumors that, instead of bringing the Marines our of Lebanon, the Multinational Force of which they are a part will be expanded?

Dr. IKLE. I cannot give you a specific date for the termination of mission of the U.S. contingent of the Multinational Force. However, the Marines are serving in Lebanon for a limited time period, which is to say they will be withdrawn from Lebanon when their limited mission has been completed and the Lebanese Government is able, through its army and civil forces, to assert its authority throughout the territory of Lebanon. President Reagan has stated that the United States will do what is necessary to see that the security of Israel's northern border is assured following the withdrawal of Israeli, PLO and Syrian forces from Lebanon. However, no one foresees the commitment of American military forces to an open-ended role of providing for the long-term security of Lebanon.

With regard to the War Powers Resolution, the President's "Report on the Use of United States Armed Forces to Facilitate the Restoration of Lebanese Government Sovereignty and Authority, Pursuant to the War Powers Resolution of 1973," submitted to the Congress on September 29, 1982, states the President's intentions and purposes. Further inquiries related to the War Powers Resolution should be addressed to the Department of State.

STRATEGY CHANGES

Senator NUNN. In the Secretary of Defense's posture statement, there is emphasis on words like "containment," "deterrence," "limit the scope, duration, and intensity of the conflict," which give one the impression of a toning down of last year's posture statement.

Have there been any changes in the strategy from last year or is it the same strategy articulated in the different fashion?

Dr. IKLE. Since our military strategy is designed to help attain our national security objectives, which remain generally constant, that strategy has not changed. In this year's posture statement Secretary Weinberger sought to amplify and clarify particular aspects of our strategy that have been misinterpreted. Ours is and has been a strategy of deterrence: not to initiate conflict, but to maintain a capability to respond in such a manner that an aggressor would not be able to attain the objectives of his attack. In all regions of the world we seek to prevent the expansion of Soviet power and influence and to shrink the control the Soviets' exert over regions it now dominates. If deterrence were to fail, we would attempt to restore peace at the lowest level of destruction commensurate with protecting our interests.

MARINE CORPS

General MALONEY. The overall objective of the Department of Defense's Defense Guidance fiscal year 1985–1989 is to further our national security by preventing war—particularly nuclear war. It is the mission of the Department of Defense to prepare to wage war, if we are unable to prevent it. I believe the Secretary of Defense's emphasis on words such as "containment," "deterrence," and "limit the scope, duration, and intensity of the conflict" reflects a deep commitment to limit the potential scope of a conflict, if possible, so that it does not escalate to a global war with the potential for a nuclear exchange.

In this context, neither the Defense Guidance nor the Joint Strategic Planning Document reflects a change in strategy from last year.

STRATEGY GAP—WIDER? NARROWER?

Senator NUNN. Last year we had a lengthy discussion about strategy formulation, the defense guidance, the Joint Strategic Planning Document and other related matters. It was your testimony and the statement of all the Operations Deputies at this same hearing that the defense strategy in the Reagan Administration was broader than previously, that the gap between strategy and resources was wider and that the Operations Chiefs stated that at the end of the five-year budget we would not have "a reasonable assurance force." I would like to ask each of you what changes in the strategy, defense guidance and Joint Strategic Planning Document have occurred from last year to this year, if any?

NAVY

Admiral **Moreau**. I would defer to Dr. Ikle on the Defense Guidance. Regarding strategy and the Joint Strategic Planning Document, there have been some modifications to the force sizing scenario which in turn have impacted the planning force structure.

MARINE CORPS

General **Maloney**. The Joint Strategic Planning Document (JSPD) and its recommended strategy key on the Defense Guidance as do most other documents in the joint system. The current Defense Guidance (DG fiscal year 1985–1989) is the third such document published by the Reagan Administration. The first document, Defense Guidance for fiscal year 1983–1987 (DG fiscal year 1983–1987), was published on 10 June 1981. The document was welcomed by the Services, the CINCs, and the JCS. It served as a signal to the Services to start rebuilding the Nation's military strength. Although only in effect for five months, the initial document served as the basis for revitalized force building and planning. Perhaps more importantly, the document served as a transition bridge between two Administrations with significantly different views on Defense. The new Administration's second DG (fiscal year 1984–88) capitalized on the precedents set with the first DG (fiscal year 1983–1987). The second document was equally encompassing and ambitious. The current DG (fiscal year 1985–1989) was signed by the Secretary of Defense on 1 March 1983. In reality, it has not changed in any major way from the first two DG's. Although there are some relatively minor programmatic changes, the current DG remains dedicated to attaining a proper balance between the readiness needs of our current forces and the investments required to insure their future deterrent and warfighting capabilities. The DG emphasizes that we must improve the flexibility of our forces to respond to an increasing number of possible missions in our uncertain world. In sum, the DG has not changed significantly in thrust and tenor since June 1981, and, as a consequence, neither has the strategy nor the JSPD and its attendant documents.

AIR FORCE

General **Chain**. [Deleted.] The Services use the national military objectives and the force planning scenario in the Defense Guidance to develop their "reasonable assurance" planning supported force (active and reserve) that can provide reasonable assurance for successful execution of the national military strategy. [Deleted.]

ARMY

General **Mahaffey**. The national security strategy and policy has remained essentially unchanged over that of last year. Aside from the year to year evolution and such refinements as were detailed by Mr. Clarke in his 20 May 82 speech, there have been few significant shifts. As Mr. Weinberger's Posture Statement makes clear, our national security policy integrates many components of our national power and influence—including economic, informational, political, military—into a single foreign policy thrust consistent with the long-standing national principles of deterrence, defensive orientation, and the commitment that, should deterrence fail, we will restore the peace quickly and on favorable terms.

There are no appreciable changes in the Army planning forces as defined in the Joint Strategy Planning Document. Since the strategy has remained constant and the threat projections to fiscal year 1992 have revealed only marginal changes, Army forces required to meet the strategy and provide a reasonable assurance of success have experienced no change.

Nevertheless, there are a number of important developments which should be highlighted: Most notably, our strategy and the forces to execute that strategy, to include the essential strategic mobility assets, are developing new flexibility for prompt and effective defense of our vital national interests, worldwide and across the spectrum of conflict. For the Army, we have begun to improve our range of military capabilities, developing modern, well-equipped forces which are more easily tailorable to the situation, rapidly projectable to any region of the world, and technically and tactically sound to ensure successful outcomes should conflict occur.

REASONABLE ASSURANCE FORCE

Senator **Nunn**. At the end of this five-year period, will we have "a reasonable assurance force?"

ARMY

General **Mahaffey**. The force we have programed and might expect to be available at the end of one 5-year program, however, still fall short of our identified needs, and that translates into a greater degree of risk we must accept. It also translates into the need to establish priorities for sequential operations should that be necessary so that we can apply our military power in the most effective way.

NAVY

Admiral **Moreau**. The 5-year defense program emphasizes readiness and sustainability over increased force structure but does move in the direction of a reasonable assurance force.

MARINE CORPS

General **Maloney**. As I stated in response to Senator Exon, our planning force equates to "a reasonable assurance force." The FYDP identifies our programed forces and, as such, requires acceptance of a higher level of risk than the planning force. Thus, the FYDP's programed force should not be confused with the planning force. [Deleted.]

STRATEGY/CAPABILITY GAP

Senator **Nunn**. Has the strategy/capability gap stayed the same, become wider or narrower? Has there been an increase in the forces to meet the strategy of the JSPD since this time last year?

ARMY

General **Mahaffey**. The national strategy, threat projections to fiscal year 1992, and Army force levels required to excute that strategy and provide reasonable assurance of success remain essentially unchanged.

Nonetheless, the Army is making significant progress in improving our range of military capabilities by modernizing our equipment, developing innovative joint doctrine for future battlefields and creating modern, well-equipped, flexible forces which are rapidly deployable worldwide, and technically and tactically sound to insure favorable outcomes should deterrence fail.

NAVY

Admiral **Moreau**. Naval forces in the current JSPD are somewhat larger than at this time last year. This is due to a more demanding force sizing scenario in last year's Defense Guidance than in the previous edition. The gap between strategy and capability is measured using either the current or the programed force. The programed forces are steadily growing, however, significant risk still exists.

MARINE CORPS

General **Maloney**. Marine Corps current and programed forces have experienced qualitative improvements in manpower, readiness, combat support and combat service support during this fiscal year. Consequently, we have qualitatively narrowed the strategy/capability gap. However, the size of our programed forces remains unchanged from the previous year. Thus, from a quantitative perspective the strategy/capability gap remains essentially the same.

STRATEGY/RESOURCE GAP

Senator **Nunn**. Has the strategy/resource gap stayed the same, become wider or narrower?

NAVY

Admiral **Moreau**. There has been real growth in Navy resources, however, significant risk still exists.

MARINE CORPS

General **Maloney**. Marine Corps planning force levels and the resources to support the planning force generally remain the same. Thus, the strategy/resource gap stayed the same. However, [deleted]. From the Marine Corps perspective, continued programed support for this mobility requirement will reduce the current gap between strategy and resources and greatly facilitate our ability to carry out national military objectives.

QUESTIONS SUBMITTED BY SENATOR EDWARD M. KENNEDY

U.S. MILITARY IN CENTRAL AMERICA

Senator KENNEDY. How many troops does the United States now have stationed in Central America? How many specifically in El Salvador?

Dr. IKLE. In Panama we have approximately 9,000 military personnel assigned to the U.S. Southern Command. In El Salvador we have six personnel assigned permanently to the MILGP to manage and oversee the security assistance program. Additionally, we have trainers that are in El Salvador for various lengths of time, depending on the training requirements. As of March 30, 1983 there were 44 trainers for a total of 50. In Honduras there are six in the MILGP and 45 trainers on temporary duty. Security Assistance personnel elsewhere in Central America are as follows: Guatemala three, Costa Rica three and Panama six.

MISSION OF U.S. TRAINERS

Senator KENNEDY. What is the mission of the U.S. forces in El Salvador? What limitations have been placed on their activities?

Dr. IKLE. Section 515 of the Foreign Assistance Act of 1961, as amended, specifies the following functions for U.S. security assistance organizations (to include military groups): Equipment and services case management; Training management; Program monitoring; Evaluation and planning of the host government's military capability and requirements; Administrative support; Promoting rationalization, standardization, interoperability, and other defense cooperation measures among members of the North Atlantic Treaty Organization and with the Armed Forces of Japan, Australia, and New Zealand; and Liaison functions exclusive of advisory and training assistance. Outside the military group, there are no U.S. advisors in El Salvador, only U.S. trainers. The trainers provide training in such areas as internal defense and development, intelligence, logistics, maintenance, communications, patrolling and combat skills (e.g., rifle marksmanship, first aid, map reading, tactics). Human rights considerations are stressed by the trainers as well as by the MILGP in its contacts with the Salvadoran military leadership. Neither USMILGP nor training personnel are authorized to participate in combat operations with the Salvadoran military. U.S. personnel are further restricted to areas in which the possibility of involvement in hostilities in considered minimal (recognizing that in a country subjected to an insurgency there are no absolutely secure areas).

U.S. TRAINERS IN EL SALVADOR

Senator KENNEDY. President Reagan has said he may "want to go beyond" the current ceiling of 55 advisors. The press reports proposals to permit U.S. troops in war zones. Are you aware of any plans or proposals to change the number of U.S. military personnel or their mission, or to alter their activities or limitations on their use? What is the nature of those plans or proposals? Is your office developing proposals for modifying the number of troops or their mission? If so, what are those proposals? Have you personally made any proposals or recommendations concerning the deployment and the use of troops or advisers in El Salvador? If so, what are those plans and proposals?

Dr. IKLE. In his March 10, 1983, speech the President said that the number of trainers in El Salvador will depend upon the resources made available to us. Our request for $110M in additional security assistance is driven by the need to increase the level of U.S. training of the Salvadoran Armed Forces. To date, we have been able to train a relatively small percentage of the Armed Forces. Our goal, with the $110M requested, is to reach approximately 50 percent of the Salvadoran Armed Forces. We are not planning to use our trainers as combat advisers, another point made by the President.

MILITARY SITUATION IN EL SALVADOR

Senator KENNEDY. Considering the rapid deterioration in the Government of El Salvador's military position what level of U.S. military aid is necessary to prop up the El Salvador Government? What will those funds be used for? What assurance do we have that these funds will be sufficient to maintain the Government of El Salvador militarily?

Dr. Ikle. I do not agree with the assertion that the military position in El Salvador is in a state of rapid deterioration. At present, we have a situation in which neither side can defeat the other. Because the Continuing Resolution limited us to only $25M in FMS, we have been unable to provide the resources required for the Salvadoran Armed Forces to seize the initiative. It is for this reason that we have requested $60M in reprogramming and $50M in supplemental funding. This will enable us to train approximately 50 percent of the Armed Forces. It is significant that of those already trained, the three Quick Reaction Battalions are acknowledged by guerrilla leaders themselves as the best fighters and the units most skilled at gaining the willing cooperation of the people, and denying this support to the guerrillas It is this capability that we wish to expand to at least 50 percent of the Army. We believe that provision of the $110M will be enable the Armed Forces to regain the initiative and enable them to carry out the political, social and economic reforms that have been the basic goals of El Salvador since October 1979.

EL SALVADOR-VIETNAM COMPARISON

Senator Kennedy. The United States has in the past been involved in sending military advisors to distant countries—such as Vietnam. How would you compare the level of military assistance we are now providing El Salvador with the assistance provided to Vietnam during the early stages of the United States involvement in Vietnam? Can you assure us that the United States will not become militarily involved to the same extent in El Salvador?

Dr. Ikle. Our assistance to Vietnam was much greater than it has been to El Salvador. We virtually rebuilt the Army of South Vietnam after the French departed. In El Salvador, we have trained only about 10 percent of the armed forces. Those units trained by the U.S. are the best qualified in the Salvadoran military and we wish to greatly increase this level of training. During the last year, we averaged about 37 trainers and 6 MILGP personnel and we have not had more than 55 in-country at any time. In contrast, President Truman in 1950 assigned 35 personnel to the U.S. Military Adivisory and Assistance Group in Vietnam. A decade later there were 895 providing military training. In dollar figures, during the years 1956–62, our military assistance (primarily MAP) was approximately $650M. Since 1980, the amount of our assistance to El Salvador in greatly inflated dollars, has been less than $175M, with $57M of this being FMS credits, which the Government of El Salvador is required to pay back.

A significant difference between the military assistance provided to Vietnam in the 1960s and that provided El Salvador is in the role of the U.S. security assistance personnel. In Vietnam they served with units in the field, and frequently wore the uniform of the Vietnam units they were advising. In El Salvador, our security assistance personnel participate only in highly restricted training activities. They do not go on combat operations and they are not authorized to fly on operational missions. The President made it quite clear in his March 10, 1983, speech that we will neither have combat advisers in El Salvador nor will we send combat troops.

SECURITY ASSISTANCE—EL SALVADOR

Senator Kennedy. Of funds allocated for El Salvador in fiscal year 1983 and earlier years, what portion has been disbursed to date? What is the breakdown of undisbursed funds for category (e.g., FMS, MAP, IMET, funds drawn down under Section 506 of the Foreign Assistance Act, et cetera)? What amount remains available for ammunition from funds previously authorized?

Dr. Ikle. The following is a breakdown of security assistance funding for fiscal years 1983, 1982, 1981, and 1980.

	FMS	MAP	IMET	Section 506
Fiscal year 1980	5,700,000		0.24	
Fiscal year 1981	10,000,000		.44	25,000,000
Fiscal year 1982	16,500,000	8.5	2.0	55,000,000
Fiscal year 1983 [1]	60,000,000		1.5	

[1] For fiscal year 1983, the continuing resolution has limited funding to $26.5M.

Note.—All previously appropriated and authorized funds have been obligated.

TROOP END STRENGTH

Senator **Kennedy**. What specific missions are planned for the proposed 38,000 new troops included in the fiscal year 1984 budget?

Dr. **Ikle**. The majority (93 percent) of this proposed increase in strength is to be used to increase our force structure requirements for tactical air, naval and land forces; base operating and training support for these increased forces; and modest increases in intelligence, communcations, and research and development activities. These increases are partially offset by a decrease of students and trainees. Additional details are provided in the fiscal year 1984 Defense Manpower Requirements Report, provided to your office.

Senator **Kennedy**. Is the United States unable to meet its military commitments at the current force strenght? Which ones?

Dr. **Ikle**. We need additional manpower to reduce the hollowness and increase the readiness of our existing units. In addition, this additional manpower will allow us to create additional combat and combat support units to enhance our ability to conduct contingency missions in the Middle East, protect our vital interests in Europe and the Far East, and keep our lines of communication open.

Senator **Kennedy**. Are the United States and its allies vulnerable to attack without the additional troops? Where?

Dr. **Ikle**. Yes, we are more vulnerable to attack at places of the enemy's choosing throughout the world.

Senator **Jepsen**. The hearing is adjourned.

[Whereupon, at 4:05 p.m., the subcommittee adjourned, subject to the call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, MARCH 10, 1983

U.S. Senate,
Subcommittee on Manpower and Personnel,
Committee on Armed Services,
Washington, D.C.

ACTIVE DUTY MANPOWER REQUIREMENTS

The subcommittee met in open session pursuant to notice, at 9:45 a.m., in room SR-222A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senators Jepsen, Thurmond, and Warner.

Staff present: James G. Roche, minority staff director; Anthony J. Principi, counsel; Willis D. Smith, deputy staff director and chief scientist for the minority; Richard D. Finn, George K. Johnson, Jr., David S. Lyles, professional staff members; Kimberly Manning, staff assistant.

Also present: John Campbell, assistant to Senator Warner; Ron Kelly, assistant to Senator Humphrey; Jon Etherton, assistant to Senator Jepsen; Greg Pallas, assistant to Senator Exon; Kathleen Callahan, assistant to Senator Bingaman; Bob Savitt, assistant to Senator Cohen.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator Jepsen. The Manpower and Personnel Subcommittee meets this morning to receive testimony from the Department of Defense on the active-duty manpower requirements and trends.

Today's hearing begins a series of hearings, that differs from those held in the past to prepare the annual Defense Department authorization bill. This year, the subcommittee will devote a hearing to each component of the total force rather than to each service. This functional approach recognizes that the active-duty force, the Reserve forces, and the civilian work force have manpower concerns unique to each of them.

During the 1-year period that has elapsed since last year's appropriation hearings, the armed services have continued their remarkable record in recruiting and retention. The quantity and the quality of both recruits and noncommissioned officers have remained high. Nonetheless, this encouraging progress could still be disrupted if measures are not taken to compensate for the effects of an improved economy.

This subcommittee is committed to doing all that it can to maintain the momentum that has developed in the last couple of years. That commitment requires us, however, to take a good look, a hard look, at the mix of manpower resources that the Defense Department has requested for fiscal year 1984. Some worthwhile proposals are less important, perhaps, than others. They may have to be reduced in scope or even postponed so that essential improvements can be funded.

I would appreciate the advice of the Department of Defense and the individual services during this difficult process of establishing priorities among competing demands.

I would now like to welcome our distinguished witnesses to this morning's hearing.

Dr. Lawrence Korb, the Assistant Secretary of Defense for Manpower, Reserve Affairs and Logistics; Lt. Gen. Max Thurman, the Deputy Chief of Staff of the Army for Personnel; Vice Adm. Lando Zech, the Deputy Chief of Naval Operations for Manpower, Personnel, and Training; Lt. Gen. Charles Cooper, the Deputy Chief of Staff of the Marine Corps for Manpower; and Lt. Gen. Andrew Iosue, the Deputy Chief of Staff for the Air Force for Manpower and Personnel.

I also understand that Dr. Korb is accompanied by General Tice, Deputy Assistant Secretary of Defense for Military Personnel and Force Management. It is always a pleasure to welcome General Tice to our subcommittee proceedings.

By way of launching this hearing, I just came from a meeting where I appeared before a large group of business people. This is the second day in a row that I have done so early in the morning to talk about defense—defense budgeting, deficits.

I can assure you, there is a great interest—as there always has been in this country—by the great majority of the people in providing for an adequate defense. There is an increasing number of people who are saying, "We want an adequate defense but can we not get it for less money than we are getting it for, and can we find some way to in some way do a better job, use the funds to get more bang out of the buck?"

In these committee meetings and these appearances—these are just a series that I have had and I also have them scheduled for the future—in talking about manpower I point out it is a big part of the defense budget. I point out the fact that the Soviets pay their recruits something equivalent to $5.50 a month—80 kopeks, I guess you call it, three rubles—$5.50 a month.

Ours start at $575 plus, if they do it right, an $8,000 bonus; plus they are immediately entitled to many thousands of dollars for educational benefits, retirement, medical care, and transportation costs.

So, I do this to explain why the Soviets have consistently been able to maintain higher rates of military investment and why they are so far ahead of us in their hardware and procurement, and the amount of money they have been able to put into it.

I think that story needs to be told at every turn of the road. If you listen a lot to the media and a lot of folks—many of them, I would hasten to add, who are well intentioned in their hearts and their minds—that have been running around Capitol Hill here in the last couple of days, you would think that 90 percent of every penny of the budget is going for defense and specifically in bombs, and rockets, and missiles, when in fact $90 billion-plus is going for people, our young men and women and our career people in our service.

We have $17.5 billion a year for retirement, increasing on the basis of currently about $800 million a year, and that has dropped some; nearly $1 billion a year increased retirements—people benefits.

I do not think that story is understood by one out of a thousand people in the United States. I do not know why that story has not been told. I think we would be well advised to do everything we can, Dr. Korb, to tell that story and to use those comparisons.

Then when we start talking about defense budgeting, reducing the deficits, people will have a greater understanding.

In any event, we must look at all areas, including military retirement, force structure, and people benefits as we look at ways to do a better job of funding defense programs.

I would point out to General Cooper that I was most pleased and honored to visit the troops in Beirut, the new marines who had just moved in—I have already visited with Admiral Zech about it—I stayed on the *Guadalcanal.* They had been there about 3 days, the marines were in their fourth day ashore. The changeover had just taken place. They were still digging in, it was raining hard. In fact, we got there just in time to get the benefit of the worst storm in history. We tried to get off, the *Guadalcanal,* by helicopter. There were 65-mile-an-hour winds and rain and ice squalls. It was a good experience. I think Tony and Jon Etherton will attest to that.

In any event, gentlemen, you may proceed with your oral presentations.

I will discuss it a little later, but I was interested, Dr. Korb, in the March 14 issue of The Army Times and your interview. I appreciate your remarks. They were right on target. I am interested to hear what you have to say today.

Your prepared statements will be entered into the record as if read. Now you may proceed in any manner you so desire.

Secretary Korb?

STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, RESERVE AFFAIRS AND LOGISTICS, ACCOMPANIED BY LT. GEN. DEAN TICE, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR MILITARY PERSONNEL AND FORCE MANAGEMENT

Dr. KORB. Mr. Chairman, it is my privilege to appear again before you. Last year I reported that America's All-Volunteer Force had experienced a year of unparalleled achievement. I am pleased to be able to report that largely due to the President's leadership and Congress continued support this past year has also been an outstanding one for us.

I have a long statement which I would like to submit for the record. It includes detailed information on our progress last year and on our fiscal year 1984 request.

Today I would like to take a few minutes to summarize that statement, focusing particularly on manpower readiness and some of our legislative proposals.

READINESS AND SUSTAINABILITY

Readiness and sustainability continue to be this administration's top priorities. As you know, we are asking for significant but needed increases in funds for procurement in order to provide our forces—both active and Reserve—with the best equipment available.

To insure that this equipment can be maintained and operated adequately, we are also asking for substantial increases in our O&M accounts which we feel will allow continued progress and improvement in training and thereby continue to increase the readiness of our forces.

However, the key to insuring continued momentum, especially with new improved weapon systems entering the force, is to insure continued progess in the readiness of our people.

We use four aggregate indicators to monitor and assess personnel readiness in our military forces: Strength or the number of people we have; experience or the grade and experience mix of our people; skills or occupational qualifications which match the job requirements; and stability or the number of people that remain in their units over a period of time.

The personnel readiness of each component, civilian, active and Reserve military has improved measurably over the past 2 years. For example, the end strengths of each of the components have increased during the past 2 years and will, with your support, continue to do so during the coming year.

The increase in the military strength has been made possible by extremely successful recruiting and retention efforts. We have programed about a 2-percent growth in both the active and Reserve components of our force for 1984. With your continued support we should have no difficulty in meeting our program levels in fiscal 1984.

Our policy has been and will continue to be to maintain as small an active force as national security policy and military strategy will permit. Active military people are employed only in those jobs which require immediate readiness such as combat operation, combat support, and the training and rotation base that supports that force.

To this end, we have increased the role of our Reserve forces in the past several years and request an increased average strength for 1984 for each component. The cumulative collective increase since fiscal 1980 for all Reserve components is nearly 160,000, representing over an 18-percent growth. In the same period of time, the Active Forces have grown by 115,000, which is less than 6 percent.

The experience level of our forces, the second component of personnel readiness, has improved significantly during the past year because retention in both active and Reserve components has increased.

For example, the inventory of the active enlisted career force increased by 59,000 in fiscal year 1982. Reenlistment rates are up, early attrition rates are down, and the services are meeting or exceeding their nonprior service accession goals.

The third measure of personnel readiness, skill fill at unit level, shows gains particularly in force skill areas which have in the past plagued us: pilots, combat arms personnel, electronics repairmen, and electrical and mechanical equipment repairmen.

Along with the increases in the number of personnel in critical skills, we are now attracting and retaining higher quality personnel in them. For example, 96 percent of Army combat-arms NCO's now have high school diplomas.

Finally, reduced attrition rates and improved retention have contributed to improving the personnel stability in our active units. We have also initiated a program in the Selected Reserve components to combat early attrition of reservists which I am certain will serve to reduce attrition and improve stability for the Reserve component.

By these measures, the personnel readiness of our Armed Forces has improved significantly. Better compensation, better public climate for military service, better training and equipment, better leadership and morale have all attributed to the improvements. To a large extent, they have been made possible by strong congressional support.

Despite the decision on the pay freeze—a difficult but necessary decision in light of our economic situation and the probable economic upturn and declining youth population—I believe that with your contiuned support we can maintain our achievements in quality and still increase our strength and force structure.

We request your support for our strength increases and the training loads to support them. The resources requested for recruiting, retention, training, working, and living conditions and daily operations, are absolutely necessary to maintain our people at high levels of readiness.

The average strength increases are modest indeed when measured against the requirements of our strategy—defensive and deterrent in nature. Therefore, we must rely on our allies to make considerable contributions and play an integral role in carrying out our strategy.

BURDEN SHARING

Burden sharing has been an issue given considerable attention by both the Congress and the public, and rightly so. Two programs which we have developed and which complement our force structure and manpower requirements and which are an integral part of our strategy, are POMCUS and wartime host-nation support. You are undoubtedly familiar with them as they are not new programs.

Essentially, they are designed to provide the support for our forces in Europe which, if we were going to provide ourselves, would cost us considerably more. Without this support, the combat capability of our deployed and follow-on forces would be significantly degraded.

We are again requesting approval in funds for the stockage of POMCUS sets 5 and 6, and funds to begin to provide equipment for German reservists who would provide support for U.S.-deployed forces. The absence of this support could be catastrophic if our forces are required to fight.

Ironically, these programs have not been funded in the past by Congress because of the perceptions that the allies are not sharing the burden sufficiently. Well, the very intent of these programs is to bring about more burden-sharing in an area absolutely critical to U.S. forces.

There are several legislative items for which we are seeking support. I would like to mention but a few. We need urgently and immediately extension of the authority to pay enlistment and reenlistment bonuses. I do not have to remind you that this authority expires at the end of March.

While we have been successful in increasing active and Selective Reserve strength, we still have a serious shortfall in the Individual Ready Reserve. We are requesting an extension of the military service obligation from 6 to 8 years and an Individual Ready Reserve bonus authority to help alleviate the shortfall.

We are requesting legislation to reform the laws governing general and flag-officer grades. Early action by the Congress on this legislative program will improve considerably the management of the leaders of our Armed Forces.

Finally, you must enact the legislation required to maintain our Department of Defense dependent schools under DOD management.

To a large extent, the successes enjoyed by the armed services during the past 2 years are the result of congressional support and interest for which we are extremely grateful. It is my intention to cooperate closely with you, and with your support to continue the success that was begun a few years ago and build on the impressive record forged together.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Lawrence Korb follows:]

PREPARED STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE, MANPOWER, RESERVE AFFAIRS, AND LOGISTICS

INTRODUCTION

Mr. Chairman and members of the Committee, it is a pleasure to appear before you today to present an overview of the Reagan Administration's defense manpower for fiscal year 1984 and to discuss with you the manpower issues which we believe are of paramount importance.

Defense manpower is composed of active duty military, the Reserve Components, and civilians. Together these three components constitute our total force. Defense manpower management concerns the effective and efficient integration and support of these three. This statement, accordingly, will address each of the three in turn and then cite the specific assistance being sought from the Congresss to enable us to manage more effectively this most important of national security assets.

TABLE 1.—DEFENSE MANPOWER TRENDS: SELECTED YEARS

[End of fiscal year strengths in thousands]

	Fiscal year—					Program planned	
	1964	1968	1978	1980	1982	1983 [1]	1984
Active Military	2,687	3,547	2,061	2,050	2,109	2,127	2,165
Selected Reserve	953	992	788	851	964	1,002	1,030
Individual Ready Reserve [2]	845	1,571	356	413	396	427	458
Civilians	1,176	1,393	1,017	990	1,030	1,056	1,072

[1] Beginning in fiscal year 1983, reserve personnel on active duty for Training and Administration of Reserves (TAR's) are categorized as Selected Reservists; prior to fiscal year 1983, TAR's were included in active military strengths. Fiscal year 1982 TAR strength was 11,000.

[2] Includes Inactive National Guard.

As shown in Table 1, fiscal year 1982 active military strength was about 578,000 below the strength levels of 1964, the pre-Vietnam reference year often used in analyses of strength trends. In fiscal year 1983 and fiscal year 1984, the active duty strengths are programed to increase 18,000 and 56,000, respectively, above the fiscal year 1982 force levels. The proposed increase in the active duty force strength is based on a thorough examination of Reserve Component capabilities.

Table 1 also shows that Selected Reserve strength bottomed out during 1978 at 788,000. Selected Reserve strength is programed to increased to 1,002,000 in fiscal year 1933 and to continue higher through the mid-1980's.

The Individual Ready Reserve (IRR) strength for fiscal year 1982 was 396,000. Although the IRR strength decreased substantially after the Vietnam conflict and bottomed out in 1978, it is now increasing and we project this increase to continue into the 1980's if proposed initiatives are enacted.

Civilian strengths continue to increase in fiscal year 1984.

ACTIVE FORCES

Active Force Personnel Readiness

The overall readiness of an individual unit is based on the status of its personnel as well as its equipment and training levels. The four aggregate indicators which assess personnel readiness levels are:

Strength—the number of people we have.

Experience—the grade and experience mix of personnel.

Skills—occupational qualifications which match the requirements of the job to be done, and

Stability—the percent of service members that remains in the service and in the same unit, from one year to another.

A unit fully manned with the proper mix of experienced personnel with the requisite skills, experience and high stability will report a high level of personnel readiness.

Strength

Table 2 shows active military end strengths by service for selected years. From the Vietnam drawdown in the early 1970's, through fiscal year 1979, total military strength decreased annually. Beginning with fiscal year 1980, however, this trend has been reversed.

TABLE 2.—ACTIVE MILITARY END-YEAR STRENGTHS BY SERVICE: SELECTED YEARS

[Thousands]

	Fiscal year—						
	1964	1972	1978	1980	1982	Program 1983 [1]	Planned 1984
Army	973	955	771	777	780	780	783
Navy	668	604	530	527	553	560	572
Marine Corps	190	202	191	188	192	195	197
Air Force	857	750	570	558	583	592	613
DOD total	2,687	2,512	2,061	2,050	2,109	2,127	2,165

[1] Beginning in fiscal year 1983, reserve personnel on active duty for Training and Administration of Reserves (TAR's) are categorized as Selected Reservists; prior to fiscal year 1983, TAR's were included in active military strengths. Fiscal year 1982 TAR strength was 11,000.

From fiscal year 1980 to fiscal year 1982 active duty end strength increased by 58,500 personnel, or almost 3 percent. The Navy and Air Force have experienced the greatest growth. For these Services, this growth has allowed both more complete manning of existing units and the addition of new units to the force. The Army and Marines have held their force structure generally constant while increasing their unit manning. Both existing and new force structure units are better manned than in the past.

Experience

Experience is the second component of personnel readiness. Experience is defined as the length-of-service and grade mix of the military population. We have improved the experience of both officer and enlisted personnel.

Since fiscal year 1980, the total officer population has increased nearly 14,000, or over 5 percent. Two-thirds of this net increase (9,100) was among officers with more than 4 years of service, reflecting an improvement in retention. The career content (the number of officers in over 4 years of service) increased by almost 5 percent.

Most growth in total officer population has been in the captain and major grades, indicating that more officers are electing to stay in the service at their initial career decision points (generally the fourth or fifth year of service). Furthermore the number of senior officers is growing at a slower rate than is the total number of officers. The average grade of our officer population has remained unchanged for 2 years at roughly 03 (captain or, in the Navy, lieutenant).

Similar trends are occurring in the enlisted force. The enlisted force is increasing at a faster rate than the growth of the total enlisted population. Table 3 displays the actual career content of the enlisted force for fiscal year 1981 and fiscal year 1982 and the projected growth through fiscal year 1984. Actual inventory of the career force increased by 59,000 personnel in fiscal year 1982, due largely to increased reenlistment. More careerists also translates into more NCO's (primarily grades E-5 through E-9) where the population has increased by almost 38,000, or 5 percent. The break-out by Service in Table 4 reflects dramatic gains in the Navy and Marine Corps, and lesser but yet subtantial growth in the Army and Air Force.

TABLE 3.—ENLISTED CAREER FORCE (5 TO 30 PLUS YEARS OF SERVICE)

	Army	Navy [1]	Air Force	Marine Corps	Total
Fiscal year:					
1981 (actual)	283.4	201.2	233.8	49.5	767.9
1982 (actual)	300.3	218.2	250.9	57.6	827.0
1983 (program)	306.8	217.7	259.2	56.1	839.8
1984 (plan)	310.2	229.4	267.7	58.5	865.8

[1] In fiscal year 1983 and beyond, TARs are categorized as SELRES; prior to fiscal year 1983, TARs were included in Active Military strengths. By 1982 TAR enlisted career strength was 7,700.

TABLE 4.—INCREASE IN NCO INVENTORY BY SERVICE, FISCAL YEARS 1980–82

Service	Number increase	Percent increase
Army	10,500	4.1
Navy	13,700	7.3
Marine Corps	6,900	14.5
Air Force	6,600	3.3
Total DOD	37,800	5.5

Note: Numbers do not add due to rounding.

There are four major factors contributing to our enlisted gains. First, all Services are meeting or exceeding the accession goals for non-prior service (NPS) recruits. Second, we are enlisting more prior service personnel, exceeding our fiscal year 1982 goal by nearly 14 percent. Third, reenlistment rates are improving. Our reenlistment rate increased from 55 percent (190,000 reenlistments) in fiscal year 1980 to 68 percent (224,000 reenlistments) in fiscal year 1982. Finally, we have reduced our attrition losses and we fully expect to keep them down.

Skills

Personnel readiness is also affected by the availability at the unit level of personnel in needed skills. Analysis shows recent gains in five skill areas that in the past had contributed to degraded readiness: pilots, combat arms NCO's, Navy Petty Officers, electronics repairmen, and electrical/mechanical equipment repairmen. Table 5 highlights these improvements in manning our most critical skills. As measured from December 1980, the month preceding the change in Administrations, to the end of the 1982 fiscal year, we have increased strengths in each category.

TABLE 5.—*More personnel in needed skills*

Skill	*Population Increase*
Officer:	
Pilots	+1,500
Navy/Marine Corps	+1,000
Air Force	+500
Enlisted:	
Combat Arms NCO's (E5–E9)	+5,800
Army	+4,600
Marine Corps	+1,200
Navy Petty Officers (E5–E9)	+14,900
Electronic Equipment Repairmen (E1–E9)	+12,700
Electrical/Mechanical Equipment Repairmen (E1–E9)	+19,600

In addition to our improved manning of critical skill positions, we are maintaining high quality personnel in these skills. For example, among Army combat arms NCO's, 96 percent have at least a high school diploma, with 40 percent in the top half of the aptitude score range; among Marine Corps combat arms NCO's, 93 percent have at least a high school diploma, with 34 percent in the top half of the aptitude score range. This is a definite improvement over previous years.

Five factors are responsible for these trends. First there are the positive accession and retention successes previously cited. Second, our use of enlistment bonuses results in higher quality recruits with greater aptitude for technical training. Third, we are offering more training in areas of greatest need. Fourth, because of the improved recruit quality, attrition during the first six months of service has dropped from 11.1 percent in the fiscal year 1980 cohort to 10.6 percent for the fiscal year 1982 cohort; therefore, more of our personnel who start training are remaining in service to complete training, realizing a more efficient use of our training resources. Last, but not least, our selective reenlistment bonuses have enabled us to meet better our experience shortages in the critical skills.

Stability

Reduced attrition rates and improved retention are beginning to have a positive influence on personnel stability at the unit level. Unit personnel stability is defined as the percent of personnel who remain in the service and in the same unit over the course of a year. A recent sampling of more than 1,100, operational units covering a population of more than 424,000 assigned personnel of all grades and skills, shows that unit personnel stability is indeed beginning to improve—from 48.9 percent overall during fiscal year 1980 to 49.5 percent during fiscal year 1982. We expect this trend towards greater cohesion at the unit level to continue.

Improved Service management and Congressional support for DOD personnel programs have resulted in improvements in the past two years in these dimensions of personnel readiness: strength, experience, skills, and stability. These improvements in turn translate directly into an improved readiness posture for the active force.

Recruiting

In terms of both quantity and quality, fiscal year 1982 was an outstanding recruiting year. Many factors contributed to the favorable fiscal year 1982 recruiting results—recruiting management improvements and new initiatives, the state of the economy, more competitive compensation as a result of Congressional support, and an increase in public appreciation for our men and women in uniform.

Table 7 indicates that in fiscal year 1982 the Defense Department as a whole enlisted 338,200 people. All four Services met or exceeded their enlisted recruiting objectives in all the categories of personnel for which objectives were established: Non-Prior Service (NPS) males, NPS females, and prior service enlistees.

TABLE 7.—FISCAL YEAR 1982 RECRUITING RESULTS

[Number in thousands]

	Army		Navy		Marine Corps		Air Force		DOD total	
	Number	Percent of objective	Number	Percent of objective	Number	Percent of objective	Number	Percent of objective	Number	Percent of objective
Male NPS	105.2	105	71.4	100	35.7	100	58.8	100	271.1	102
Female NPS	15.2	101	8.4	100	2.3	105	8.7	100	34.6	101
Total NPS	120.4	104	79.8	100	38.1	101	67.5	100	305.7	102
PS Accessions	9.8	104	13.0	100	3.6	132	6.1	100	32.5	104
Total	130.2	104	92.8	100	41.6	103	73.6	100	338.2	102

Table 8 shows the mix of male, female, and black non-prior service (NPS) accessions for fiscal year 1981 and fiscal year 1982.

TABLE 8.—NONPRIOR SERVICE ACCESSIONS—MALE, FEMALE, BLACK

[Thousands]

Service	Fiscal year 1981				Fiscal year 1982			
	Total	Percent male	Percent female	Percent black	Total	Percent male	Percent female	Percent black
Army	117.9	84	16	27	120.4	87	13	25
Navy	92.0	89	11	13	79.8	90	10	13
Marine Corps	40.9	94	6	18	38.1	94	6	18
Air Force	76.9	86	14	14	67.5	87	13	16
Total	327.8	87	13	19	305.7	89	11	19

Results for the first quarter of fiscal year 1983 are slightly better than a year ago. Table 9 shows that all four Services achieved or exceeded their combined enlisted recruiting goals for this period.

TABLE 9.—FIRST QUARTER FISCAL YEAR 1983 AND FISCAL YEAR 1982 ENLISTED ACCESSIONS—ALL SOURCES

[Thousands]

Service	Fiscal year 1982 thru December			Fiscal year 1983 thru December		
	Objective	Actual	Percent of objective	Objective	Actual	Percent of objective
Army	32.8	33.0	101	33.3	34.7	104
Navy	21.4	21.8	102	22.1	22.2	101
Marine Corps	8.6	8.9	103	9.9	10.3	105
Air Force	19.4	19.4	100	16.5	16.5	100
Total	82.2	83.1	101	81.7	83.7	102

The DOD enlisted accession requirement for fiscal year 1984 is 350,100 which is 11,900 more than the Services recruited in fiscal year 1982 and about 1,000 more than they have programed for fiscal year 1983.

The quality of enlistees is measured most frequently in terms of educational attainment and aptitude test scores. A high school diploma is a proven indicator of the ability of individuals to adjust to military life. On the average, a nongraduate is twice as likely to leave the military before completing a 3-year enlistment than is a high school diploma graduate. As shown in the following table, the number of nonprior service male high school diploma graduates recruited by all the Services for fiscal year 1982 was 2,200 above the number recruited in fiscal year 1981.

TABLE 10.—NONPRIOR SERVICE ACCESSIONS—MALES AND FEMALES, HIGH SCHOOL DIPLOMA GRADUATES

Service	Fiscal Year 1981			Fiscal Year 1982		
	Male	Female	Total	Male	Female	Total
	Thousands					
Army	77.5	17.2	94.7	88.4	15.2	103.6
Navy	60.4	9.4	69.7	55.0	7.8	62.8
Marine Corps	30.4	2.3	32.7	30.0	2.3	32.4
Air Force	57.8	9.6	67.4	54.9	8.4	63.3
Total	226.1	38.5	264.6	228.3	33.7	262.0
	Percentage					
Army	78	94	80	84	100	86
Navy	74	93	76	77	93	79
Marine Corps	79	100	80	84	100	85
Air Force	88	88	88	93	96	94
Total	79	92	81	84	97	86

Recruiting of high school diploma graduates for the AVF continues to be very successful in fiscal year 1983. Table 11 shows that the Army, during the first quarter of fiscal year 1983, took in about 6,000 more male diploma graduates than for the same period last year.

TABLE 11.—1ST QUARTER FISCAL YEAR 1983 AND 1ST QUARTER FISCAL YEAR 1982 NONPRIOR SERVICE ACCESSIONS, HIGH SCHOOL DIPLOMA GRADUATES

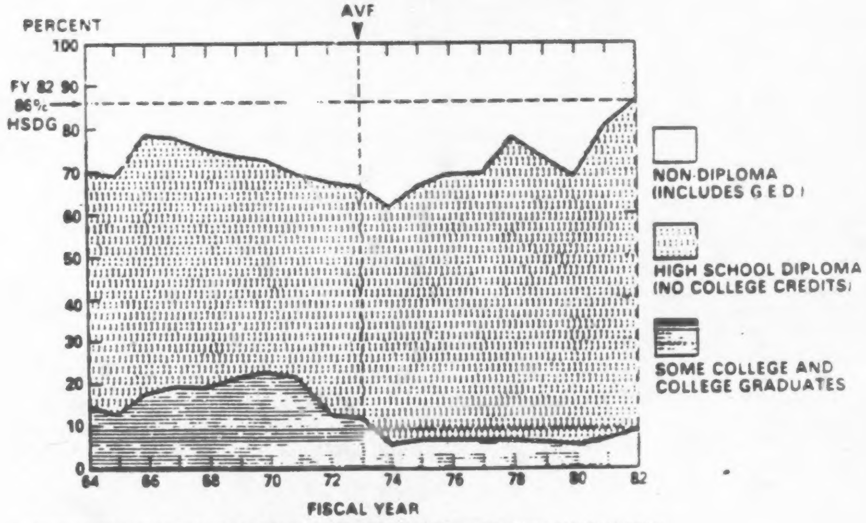
Service	Fiscal year 1982 thru December			Fiscal year 1983 thru December		
	Male	Female	Total	Male	Female	Total
	Thousands					
Army	15.8	4.7	20.5	22.0	4.6	26.6
Navy	11.3	2.3	13.6	13.1	2.6	15.7
Marine Corps	5.6	.5	6.2	7.4	.4	7.8
Air Force	13.5	2.2	15.7	12.5	2.4	14.8
Total	46.2	9.8	55.9	54.9	9.9	64.9
	Percentage					
Army	66	100	72	83	100	86
Navy	72	91	74	81	+99	83
Marine Corps	76	100	78	82	100	83
Air Force	91	91	91	97	99	97
Total	75	96	78	85	+99	87

The Services recruited proportionately more individuals with high school diplomas and proportionately fewer non-graduates than are found in the general youth population (18–23 years of age). While 86 percent of all new recruits in fiscal year 1982 possessed a high school diploma, only 75 percent of all people in their age group in the general population have graduated from high school.

Furthermore, comparisons with previous years show that in fiscal 1982 DOD brought in a high percentage of high school diploma graduates than ever before—even during conscription. The Army improvement in fiscal year 1982 over previous years was even more significant than for DOD as a whole. Figures 1 and 2 demonstrate the dramatic upturn in the percentage of high school graduates coming into the force.

Figure 1

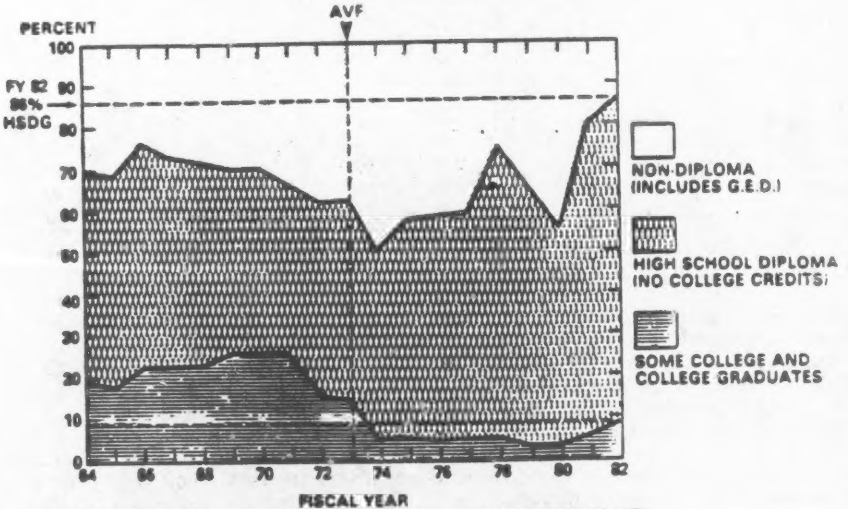
DISTRIBUTION OF DOD NPS ACCESSIONS* BY EDUCATIONAL ATTAINMENT FY 1964 THRU 1982



*INCLUDES NPS MALES AND FEMALES (INDUCTEES REGULARS AND RESERVES WITH 2 OR MORE YEARS ACTIVE COMMITMENT)

Figure 2

DISTRIBUTION OF ARMY NPS ACCESSIONS* BY EDUCATIONAL ATTAINMENT FY 1964 THRU 1982



*INCLUDES NPS MALES AND FEMALES (INDUCTEES, REGULARS, AND RESERVES WITH 2 OR MORE YEARS ACTIVE COMMITMENT)

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The quality of enlisted accessions is also measured by Armed Forces Qualification Test (AFQT) scores. These scores, along with aptitude composite scores derived from the Armed Services Vocational Aptitude Battery (ASVAB), are used in conjunction with educational, medical, and moral standards to determine applicant enlistment eligibility, enlistment guarantees, and assignment to occupations.

For reporting purposes, AFQT scores have traditionally been grouped into five broad categories. Persons who score in Categories I and II are considered to be above average in trainability; those in Category III, average; those in Category IV, below average; and those in Category V, markedly below average. Category V's and non-high school graduate Category IV's are not eligible to enlist under current legislative restrictions. We prefer enlistees in the higher AFQT categories because attrition and associated training costs are lower, and these recruits are more likely to qualify for a greater number of occupational areas. During fiscal year 1982 the number of non-prior service enlistees who scored average or above on the AFQT rose from 82 percent in fiscal year 1981 to 87 percent.

TABLE 12.—NONPRIOR SERVICE ACCESSIONS—MALES AND FEMALES, AFQT CATEGORIES I–III

[Thousands]

Service	Fiscal year 1980		Fiscal year 1981		Fiscal year 1982	
	Number	Percent	Number	Percent	Number	Percent
Army	79.3	50	81.5	69	97.2	81
Navy	72.5	82	80.6	88	71.4	89
Marine Corps	30.6	73	35.6	87	34.8	91
Air Force	65.0	91	71.4	93	63.5	94
Total	247.5	69	269.2	82	266.9	87

Table 13 compares the AFQT score distributions of fiscal year 1982 non-prior service accessions with the score distributions of the youth population in general. It shows that 87 percent of all non-prior service accessions in fiscal year 1982 received scores within AFQT Categories I through III, compared with only 69 percent of America's young people.

TABLE 13.—COMPARISON OF THE AFQT CATEGORY DISTRIBUTIONS OF THE 1980 YOUTH POPULATION AND FISCAL YEAR 1982 NONPRIOR SERVICE ACCESSIONS

[Percent]

Population	I	II	III	IV	V[1]	Total
1980 youth population	4	33	32	24	7	100
1982 accessions:						
DOD	3	34	50	13	0	100
Army	3	29	49	19	0	100
Navy	4	36	49	11	0	100
Marine Corps	2	32	57	9	0	100
Air Force	3	41	50	6	0	100

[1] Category V personnel are not eligible for enlistment.

In fiscal year 1982, DOD exceeded the quality minimums mandated by Congress on non-prior service enlistees. While DOD is committed to manning the force with the right numbers and kinds of recruits, we continue to believe that these restrictions hinder management flexibility, require additional recruiting resources, and could affect our ability to meet manpower requirements in the future. Therefore, we are requesting once again, that these restrictions be rescinded.

In order for the Services to continue to attract and retain the manpower that we need to sustain force readiness, it is essential that they continue to have a competitive enlistment package with the requisite level of recruiting resources to make youth aware of Service opportunities. To complement such a package, we have implemented various management initiatives to increase recruiter productivity and improve recruiting management. Since fiscal year 1982 we have doubled funds for Joint Service advertising by adjusting the overall Services' advertising budgets downward. We have been working with various intergovernmental agencies to place military career/occupational information in high schools, post-secondary schools, and state employment agencies. The Services have redesigned recruiter training courses, revised policies on selection and retention of recruiters, implemented actions to improve the alignment of recruiters and markets, and are enhancing their automated job reservation systems for quicker and more accurate response and better quality control.

However, we need the recruiting resources we are requesting in the fiscal year 1984 President's budget to meet both the increased accession requirements and the congressional mandate concerning recruit quality. The Army, in fiscal year 1984, must recruit at least 18,100 more men and women from the upper AFQT categories than it attracted in fiscal year 1981, and more than 23,500 than in fiscal year 1980. The Army's efforts to meet fiscal year 1984 will have an impact on the recruiting efforts of all the Services and will cause a substantial increase in our demand for high quality youth—with no corresponding increase in supply. In short, greater effort will be demanded of our recruiting force, and that effort will be more costly. It is imperative that the Services be provided the requested recruiting resources for fiscal year 1984.

Enlistment and reenlistment bonuses

Another important component of the recruiting package is the enlistment bonus. It is a highly flexible and efficient means of improving recruiting in needed occupations. Enlistment bonus levels and the skills for which bonuses are offered can be easily adjusted to reflect ever-changing supply and demand, thereby allowing the DOD to react quickly to recruiting problems that may arise because of an improved economy and a reduced youth population.

As directed by Congress, DOD has designed and currently is implementing a test of the effectiveness of various bonus levels for 3- and 4-year enlistments and the interaction between the 3- and 4-year bonus programs. The test program continues through fiscal year 1983 and ends in June 1984.

As we face a tighter recruiting market in the 1980's, enlistment bonuses will continue to be an important tool in achieving our recruiting goals. The exact amount of future enlistment bonus payments will need to be balanced with the availability and magnitude of other recruitment incentives. It is important that our enlistment bonus authority which currently terminates March 31, 1983, be extended immediately. Legislation has been submitted requesting this extension.

The Selective Reenlistment Bonus program continues to be the cornerstone of our efforts to retain personnel in critical military skills. The bonus is currently being used on a selective basis when cost effectiveness is demonstrated and other less costly options have been fully explored. Because of its importance, it is essential that the selective reenlistment bonus authority, like the enlistment bonus authority, be extended beyond the March 31, 1983, termination date.

Educational incentives

Educational incentives have proven to be an effective means of attracting high quality personnel to military service. The Veteran's Educational Assistance Program is designed to satisfy the needs of the different Services. It allows a basic benefit which can be supplemented by DOD for particular skills, as required.

At the same time, we are concerned about the effects of the delimiting date of the Vietnam-era GI bill. As the 1989 expiration date of the program draws near, a sizable number of members eligible for benefits may decide to leave service in order to use them. Replacing these trained and experienced personnel would be expensive and time consuming. While DOD supports extension of the delimiting date, it does not support enactment of a new GI bill at this time.

Officer accession and retention

Overall, we have been achieving our officer accession objectives. ROTC continues to be our largest source of newly commissioned officers. With numbers of ROTC scholarships now at reasonable levels, we are turning our attention to "fine-tuning" actions that will help us to attract and commission the most promising students. Specifically, we are considering legislation in the following areas:

Allowing scholarships to be used for a fifth year of education in specific cases—notably in the scientific and engineering disciplines—where students cannot complete degree requirements in 4 years.

Authorization of Workman's Compensation coverage for ROTC cadets during campus-based exercises. This coverage now applies only during extended summer training with the active forces.

Authority to enroll selected students who have less than two years of college remaining and to allow students without prior military service to join the 2-year ROTC program.

Improved retention has also alleviated, but not corrected completely, several specific shortages. For example, while more aviation people are being retained, some shortages still exist because of low retention in previous years. The improvement in retention is strongly influenced by the slowdown of airline hiring and the use of a continuation bonus in the Navy. Retention of nuclear submariners has also improved because of increased financial incentives, but experience gaps remain because of poor retention in earlier years. We are optimistic that the Air Force will be able to improve retention of engineers with the recent addition of a continuation bonus.

Personnel characteristics

Table 14 displays the numbers of women and blacks in the active force for selected years. Women made up 9 percent of active duty forces in fiscal year 1982 the same as a year ago; the proportion of blacks, after doubling between fiscal year 1964 and fiscal year 1978, has remained relatively constant over the past few years.

TABLE 14.—ACTIVE FORCE END STRENGTH AND CONTENT [1]

[Thousands]

	Fiscal year—						
	1964	1972	1974	1978	1980	1981	1982
Total	2,676	2,311	2,151	2,049	2,036	2,069	2,109
Percentage female	1	2	4	7	8	9	9
Percentage black	9	12	14	17	20	19	20

[1] Reported strength (includes reimbursables and excludes cadets/midshipmen).

More clearly defined requirements for women are being established in all Services. These requirements are being developed on the basis of the proven capability of women to accomplish specific military functions. Military women in all Services are fulfilling vital military requirements with the same high degree of competence as military men. In recognition of the vital role women play in sustaning the readiness of our military forces, we have increased the number of women in uniform by 27 percent from 150,000 to 190,000 over the last three years. Our projections call for continued growth over the next five years. Over the same period, we also expect greater numbers of women to progress into supervisory positions. Although they are now clustered in the mid-to-lower grades, our planned rate of increase over the next 5 years will permit the experience and grade distribution of military women to approximate more closely that of military men. In fiscal year 1982, women promoted to the grades E-2 through E-9 had less time-in-service than did men so promoted, indicating a more rapid rate of promotion than their male counterparts. Specifically, we project a 24 percent increase in women officers and a 27 percent increase in the top six enlisted grades by 1987. Today, over 190,000 officers and enlisted women account for about 9 percent of the active force compared to 45,000 women who made up 1.5 percent of the active force in 1972.

The minority composition of the armed forces began to grow during the Vietnam War and has continued to increase even more rapidly in the All-Volunteer Force era. The overall minority composition of the active forces is now 27 percent. The active officer force includes 10 percent minorities (not including Warrant Officers, of which 11 percent are minorities); the active enlisted force is 30 percent, a figure that has remained fairly constant for the last two years.

In the male-only population, minorities constitute 27 percent of the total active force—9 percent of all male officers and 30 percent of all male enlisted members. During the period fiscal year 1983-84, we expect no significant changes in the percentages of minorities in the armed forces. Table 15 presents a detailed racial/ethnic and gender breakout.

TABLE 15.—MINORITY COMPOSITION OF THE ARMED FORCES

Black		Hispanic		American Indian—Alaskan Native		Asian Pacific islander		Other	
Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Enlisted—male/female: 397,500	22	72,800	4	13,100	1	39,100	2	23,600	1
Enlisted—female only: 45,900	28	5,200	3	1,300	1	1,900	1	2,200	1
Enlisted—male only: 351,700	20	67,600	4	11,800	1	37,200	2	21,400	1
Officer—male/female: 15,400	6	3,600	1	1,100	.5	3,000	1	5,000	2
Officer—female only: 2,800	11	400	2	100	.5	400	2	700	3
Officer—male only: 12,600	5	3,200	1	1,000	.5	2,600	1	4,300	2

The Department of Defense is committed to equal opportunity and the equitable management of all human resources. Our goal is to allow all personnel in the Armed Forces to realize their full potential, regardless of gender, race, or ethnicity, while at the same time maximizing the personnel readiness of the force.

Training

We continue to place a high priority on both individual and unit training. The trend toward more sophisticated equipment poses a real challenge to the training establishment. This challenge is mitigated to some extent by improvements in the recruitment of more trainable people and the retention of more senior people capable of providing good instruction. While this favorable situation lasts and if adequate resources are made available, the Services can continue to provide well-trained graduates to the operating forces.

We need additional emphasis on installation schools located on the bases of operating forces. Schools of this type have been quite successful, especially in the Air Force and the Navy/Marine Corps aviation communities, because of the ready availability of the proper types of equipment and the opportunity for close liaison between schools and local commanders. The Army has requested funds in the fiscal year 1984 budget for a modest beginning of a similar system of schools. Another continuing objective in all four Services will be to provide sound training to develop the supervisory and technical skills of junior noncommissioned officers and technicians.

At present, the collective training of military units presents greater problems than individual training. The limited number and size of adequate training areas is a growing challenge. Essentially, the ground and airspace that the Services had available for use 30 years ago is the same space they have today. Thirty years ago this space was marginally adequate. Today, with the increased tempo and speed of maneuver and the longer range of weapons, ingenuity is requried to make training realistic within the same space.

As one way of compensating for space limitations the services are continuing to develop and use simulators and other training devices, designed to improve the effectiveness of training. For example, the Navy has begun using the newly installed Naval Electronic Warfare Training System (NEWTS) for school training of Electronic Warfare operators. NEWTS provides electronic information for intelligence gathering and analysis in a setting that is a very close representation of conditions at sea.

While we continue to plan more research into training technology and improved application of that technology in order to continue to improve the quality of training, its effectiveness will be primarily determined by the quality and numbers of careerists—the service trainers—we can retain. The increase of the career force and its enhanced quality portends well for training despite problems and challenges generated by technology advances and shortages of space for training. Nonetheless, sufficient funds must be made available in order to take advantage of service training innovations and initiatives. Congressional approval of requests for ammunition, fuel, and spare parts will allow training progress essential to force readiness.

Military compensation

Following the improvements in military compensation that began in late 1980, we made substantial increases in 1981. In addition to an average 14.3 percent pay raise, the Uniformed Services pay Act of 1981 contained increases in a number of special and incentive pays, an increase in the maximum enlistment bonus from $5,000 to $8,000 for 4-year enlistments and a $4,000 maximum for 3-year enlistments for the Army on a test basis, and improvements to travel and transportation allowances.

The pay increase in 1981 made military compensation competitive with private sector pay for the first time since the mid-1970s and was in some measure responsible for the dramatic turnaround in the accession and retention of military personnel over the past two years. We remain committed to competitive pay over the long run. However, because of the state of the national economy and the current and projected large federal budget deficits, we have had to suspend temporarily our objective to provide the annual military pay raises which match average private sector pay raises.

As part of a joint effort by the administration and the Congress to reduce the federal budget deficit and restore long-term real economic growth, the fiscal year 1983 military pay raise was limited to four percent instead of the approximate eight percent which would have been required to maintain approximate comparability with wages in the private sector. In addition, we are asking our military personnel to forego a pay raise in fiscal year 1984. The decision to eliminate the military pay raise in fiscal year 1984 was made reluctantly by the President in the context of an overall freeze on the pay and benefit increases of all government employees.

We believe that in the near term we can continue to meet our manpower needs without a pay raise. However, we will closely monitor the accession and retention situation, and if it deteriorates to the point that the readiness of our force is jeopardized, we will take appropriate action.

We also have ongoing the Fifth Quadrennial Review of Military Compensation. The objective of the review is to assess the military estate program including the retirement system, special and incentive pays, and the capability of the military compensation system to attract and retain technical specialists. A report is scheduled for release in late 1983.

Working, living conditions, and facilities

The human dimension of service life—the environment in which our military people work and live—is a primary concern of this administration. Improving the quality of life is vital to the recruitment, retention, discipline, morale, and readiness of military members. Many of our people are working and living in old, crowded, and obsolete buildings that adversely affect our readiness by causing low morale, and detracting from our efforts to retain valuable personnel. We are committed to providing our people with decent places to work and live. Priority is placed on improving conditions in remote, overseas locations.

To improve afloat conditions, the Navy is enhancing shipboard habitability. Although space on a ship is limited, amenities are being added to make sea duty more tolerable.

To improve conditions ashore, each Service is constructing new facilities, or replacing or modernizing existing inadequate facilities. For military construction and family housing, we are requesting $8.8 billion, 22 percent over the amount appropriated last year. Additionally, $7.6 billion is being requested for Real Property Maintenance Activities. Because these efforts were underfunded in past years, this Administration has increased funding to ensure that the construction and maintenance backlogs are reduced.

Families

We are concerned about the education available to the dependents of our military personnel.

We need legislation to keep the administration of our overseas schools, the Department of Defense Dependents Schools (DODDS), under the Defense Department. Public Law 96-88, as amended by the fiscal year 1983 Defense Authorization Act, requires DODDS to transfer to the Department of Education (DOE) no later than May 4, 1984. The administration opposes this transfer because it is administratively more efficient to retain the Defense overseas schools within DOD. We plan to submit legislation to repeal the transfer to the 98th Congress shortly.

We ask support for the development of the special programs, required by statute, to serve students pursuing interests in vocational education, students of limited English-speaking ability, the handicapped, the talented and gifted, and other students in the system with special needs in the DODDS budget request. The increases proposed for this year will keep the phased development of these programs on schedule and will fulfill the Department's commitment to implement statutory requirements at the earliest practicable date.

We also ask support for the funds for operation of our "Section 6 Schools." These are school systems on 18 military bases in the United States and Puerto Rico which are operated directly by the Federal Government rather than by the states or local jurisdictions. The Budget Reconciliation Act of 1981 transferred funding responsibility for Section 6 Schools from the Secretary of Education to the Secretary of Defense. This transition is now complete with the appropriation of constructions funds for needed facilities and additions, as well as operating funds, for fiscal year 1983. The necessary management structure within the Department of Defense is also now in place. The fiscal year 1984 budget request contains funds for continued operation of the schools.

Besides having dependents in overseas schools and in Section 6 schools, many dependents attend schools operated by the states or by local jurisdictions. In several cases, public school districts across the nation are still threatening to charge tuition for defense dependents, exclude them from school, or close their doors completely. The Secretary of Defense remains committed to ensuring that all defense dependents have access to free public education.

We are considering additional initiatives to improve military family life in fiscal year 1984: educational and employment opportunities for spouses; improved services for the family; and upgrading the quality of medical and dental services available to family members and service members. In accordance with the President's program, we will also direct more effort toward self-help projects and use of volunteers in community and youth activities.

RESERVE FORCES MANPOWER

The over one million members of the Ready Reserve of the United States represent a body of highly trained, highly skilled professionals whose sense of duty and demonstrated ability is one of the main cornerstones of our national defense posture. The Reserve Components now constitute 50 percent of the non-strategic combat capability and two-thirds of combat support and combat service support capability of the United States. In the event of a conflict the individuals and units of the Guard and Reserve will deploy with the active forces. Therefore, their mission today demands that they be as capable and professional as their Active Component counterparts. The capabilities they represent have resulted in their full integration into the daily operations and contingency requirements of the total Force. In many senses they are part time professionals. They constantly meet and exceed the most stringent of military standards.

In addressing the subject of Reserve manpower, it is important to recognize that Reserve Component units of the Army, Navy, Air Force, and Marine Corps and Army and Air National Guard are a defense bargain. In their absence, the American taxpayer would be severly burdened supporting a much larger active force. Many of these units will be committed to combat immediately following mobilization, some before regular units. Therefore, enhancing the recruiting and retention of personnel for the Guard and Reserve and insuring that their equipment and training lead to true combat capability are vital to our national security.

Selected Reserve strength

We have continued to be successful in improving the strength of the Reserve Components. This growth follows a period from fiscal year 1974 through fiscal year 1978 in which strength drastically declined. The first quarter of fiscal year 1983 appears to show continued increases in strength.

Table 16 displays the strength of the Selected Reserve by component for the period from the end of fiscal year 1982 through the end of fiscal year 1985.

TABLE 16.—SELECTED RESERVE STRENGTH BY COMPONENT

[End fiscal year—thousands]

Component	1982 actual	1983 estimate	1984 request	1985 planned
Army National Guard	407.6	417.0	421.1	435.3
Army Reserve	256.7	268.5	272.9	282.4
Naval Reserve	93.9	105.8	119.0	126.4
Marine Corps Reserve	40.5	42.[illegible]	43.4	44.2
Air National Guard	100.7	101.3	104.1	106.1

TABLE 16.—SELECTED RESERVE STRENGTH BY COMPONENT—Continued

[End fiscal year—thousands]

Component	1982 actual	1983 estimate	1984 request	1985 planned
Air Force Reserve	64.4	66.6	69.9	74.0
DOD total	963.7	1,002.3	1,030.4	1,068.3

Overall, the fiscal year 1984 request will allow the DOD to fill 85.4 percent of its Selected Reserve wartime unit requirements. For fiscal year 1984 the trained strengths of the Air Components and the Marine Reserve will be between 95 percent and 100 percent of their wartime requirements. The Army components are filled at approximately 82 percent of their requirements and the Naval Reserve at 84 percent.

From the end of the draft and the beginning of the All-Volunteer Force in fiscal year 1974 through the end of fiscal year 1978, the Reserve Components experienced a significant strength decline of 136,800. In the Army National Guard and Army Reserve alone this decline totaled 111,500. Since fiscal year 1979 the Department has had an aggressive program to rebuild strength in the Selected Reserve. This section will concentrate on those initiatives which have been successful in rebuilding that strength.

In fiscal year 1979 Congress authorized and funded an incentive program for enlistment and reenlistment in the Selected Reserve. This program has been increased every year since then. Its actual cost was $47.0 million in fiscal year 1981 and $58.1 million in fiscal year 1982. We expect to spend $78.5 million in fiscal year 1983 and are requesting a total of $95.0 million for these incentives for fiscal year 1984. The authorized incentives are an enlistment bonus, educational assistance program, reenlistment bonus, affiliation bonus, and a student loan repayment program. The fiscal year 1982 DOD Authorizations Act extended the authority for the Affiliation Bonus through fiscal year 1985 and Loan Repayment through fiscal year 1983. As reflected in our 1978 reenlistment test program, the average term of commitment was 4.4 years for the test region and 1.3 years for the control region. This significant change in terms of commitment is reflected in the increasing strength of our Reserve units.

In addition to a successful incentive program, we offer nonprior service individuals shorter enlistment terms in the Selected Reserve. Those joining the Army Selected Reserve may do so for a 3-year term with three additional years to be served in the IRR. Those joining other Services' Selected Reserve may do so for four years, with a balance of 2 years in the IRR. In the past a full 6 years in the Selected Reserve was required of all enlistees. Equally as important was the creation by congressional authorization of a full-time Reserve recruiting force which placed Reserve recruiting on an equal footing with active recruiting. This has proven to be an effective step as reflected by improving strength posture of the Reserve components.

To make Reserve service available to more people, a split training option was begun to allow students to participate in the Selected Reserve without interfering with normal school schedules. By splitting the usual 12-week initial active duty for training period into two increments, we can enlist high school and college students while they are still in school.

The unprogramed loss of members before they completed their contractually-obligated term was once the major cause of strength shortages. To combat this, a program for the control of attrition has been implemented. This program encompasses the establishment of loss reduction goals; an accession cohort tracking system for better management; an increase in the Full-Time Support Program to upgrade training and readiness; revision of existing outmoded regulations; research in recruiting and retention; improvement of financial incentives; and improvement of training and leadership.

Pretrained individual manpower

One of our most serious concerns is that enough individuals with prior military training are immediately available as fillers for understrength units and replacements for casualties during the early days of a full mobilization before new enlistees or inductees can be called up and trained. This demand can only be met by pretrained manpower—members of the Individual Ready Reserve (IRR), Inactive National Guard (ING), Standby Reserve, and retired military personnel.

Initiatives to improve IRR Strength have resulted in an increase of about 40,000 individuals since its low point in mid-1978. These initiatives, primarily no-cost legal or policy changes, included stopping automatic transfers to the Standby Reserve, improving personnel management, streamlining administrative transfer procedures between the active force and the IRR, transferring individuals with mobilization potential to the IRR in lieu of discharging them from the active force, and giving women and enlistees 26 years of age and older the 6-year service obligation. Other initiatives, already implemented, which will increase the size of the IRR in future years include starting an enlistee's 6-year obligation from the time active duty begins instead of from the time the enlistment contract is signed and requiring prior service enlistees to complete any portion of the unfulfilled 6-year military service obligation.

While these low-cost or no-cost initiatives have significantly increased IRR strength, by themselves they cannot increase strength sufficiently to meet wartime requirements. The no-cost initiatives have been virtually exhausted. Without new programs to retain people in the IRR or provide another method of entry into it, IRR strength will remain relatively constant as shown in the following table.

TABLE 17.—IRR STRENGTH BY SERVICE

[End fiscal year—thousands]

Service	Actual			Projected
	1980	1981	1982	1983
Army (includes ING)	212	223	230	258
Navy	97	99	78	74
Marine Corps	57	52	45	58
Air Force (includes ING)	47	45	43	37
DOD total	413	419	396	427

As the President's Military Manpower Task Force found, the best and most efficient long-term solution to the shortage of pretrained individuals is to increase the length of military service obligation above its current level of six years. We are asking Congress to increase this obligation up to eight years. The amount of time served on active duty or in the Selected Reserve would not be affected, but the time served in the IRR before normal discharge would be extended. This change would produce the manpower needed. However, because we do not think it should be retroactive, it will take 6 years after enactment before any gains in IRR strength are obtained. The proposed legislation (DOD 98-60) is being submitted to Congress. During the interim period other initiatives and incentives will be necessary to generate strength increases.

An enhanced IRR reenlistment bonus program appears to possess the greatest potential to increase IRR strength significantly in the near term. During fiscal year 1981, Congress authorized a $600 reenlistment bonus for individuals who completed their military service obligation and reenlisted in the IRR or ING for 3 years. Results of this program indicate that the bonus was too small to be effective in increasing strength to the desired degree. The bonus authority was not extended, and the bonus ended on September 30, 1981.

Another initiative is the IRR direct enlistment option that the Army began in February 1983. This program will seek to have individuals join the Army, attend initial training in shortage skills, and complete their remaining service obligation in the IRR. These trained soldiers may either opt for service on active duty or in the Selected Reserve. A modest enlistment bonus for this program is proposed. Extended IRR service would require periodic refresher training for skills to be retained.

Legislation to reinstate an IRR reenlistment bonus at the $900 level and for a direct enlistment bonus of up to $1,000 is being submitted to Congress. IRR incentives could be phased down or eliminated after the longer military service obligation goes into effect. Currently, the only benefit of IRR membership is the opportunity to serve the nation quickly in the event of war—not a sufficiently attractive inducement to cause many IRR members to reenlist.

Another legislative proposal under consideration would open eligibility for Servicemen's Group Life Insurance (SGLI) to members of the IRR. These Ready Reservists are subject to recall during a national emergency but are presently excluded from participation in this program. Since premiums would be paid by the individual concerned, it would be essentially a no-cost program to the government.

To be consistent with our goal to create a more viable pretrained manpower resource, we need to provide the Services with the funds and manpower to manage these assets properly. This management includes personnel records updating and maintenance; screening of key employees; providing physical examinations; establishing dependent entitlements; updating security clearances; offering training opportunities; and providing pay and other financial services when appropriate.

Our fiscal year 1984 budget request includes resources to continue initiatives in this area such as peacetime preassignment and predesignation of individuals to mobilization positions, provision of training opportunities for more IRR members, expansion of service programs for the identification of mobilization positions that retirees can fill, maintenance of personnel files on retirees, peacetime assignment of retirees to mobilization positions, and streamlining of mobilization procedures for Standby Reservists.

We are confident that this integrated program of strength increases and improved management can resolve the mobilization manpower shortages by 1990. However, to do so, we must enact the entire legislative package during this session of Congress.

CIVILIAN MANPOWER

Background

The civilian workforce performs a broad range of tasks in areas that include research and development, medical care, procurement and supply, base operations, logistics support, depot maintenance, and administration. It is DOD policy to minimize requirements for uniformed personnel by employing DOD civilians or private contractors to perform jobs which are not needed for deployment or military rotation, and where their use will not impact adversely on combat readiness and war fighting capability.

As of September 1982, DOD employed 1,029,900 civilians in support of military functions as follows:

TABLE 18.—*DOD civilian work force*

	Thousands
Army	379.3
Navy	319.6
Air Force	248.5
Defense Agencies	82.5
Total	1,029.9

The distribution of civilians among the components is based on individual service missions, workloads associated with those missions, and varying uses of resources including capital investment and contract personnel. Consequently, total civilian employment and its distribution among the components will vary from year to year.

About 8 percent of the total in fiscal year 1982 were indirect hire foreign nationals who support U.S. military forces overseas under contracts or agreements. The balance were direct hire employees subject to personnel policies and priorities established by DOD and its components. In addition to the civilians supporting military functions, 31,600 direct hire civilians were engaged in civil functions, most in the Army Corps of Engineers. Sixty-five percent of the entire civilian workforce were General Schedule employees, and 35 percent were blue collar workers subject to Federal Wage System rules. Over half of the General Schedule workforce ranked GS-7 or lower at the end of September 1982.

The Department is a strong advocate of equal employment opportunity. As a result of our efforts, approximately one-fourth of our workforce are minorities, and one-third are women.

Only a very small fraction of our civilian workforce is employed in administrative overhead functions. Most DOD civilians perform functions essential to near-term readiness. For instance, 42 percent of fiscal year 1982 end strength supported logistics functions and 14 percent worked in training, medical care, and other activities directly supporting military personnel. Approximately 9 percent were in general purpose forces operations, 2 percent in strategic forces operations, 2 percent in airlift and sealift operations, and 8 percent supported Guard and Reserve operations. Intelligence functions accounted for 4 percent, and research and development totalled 8 percent. We also assist other nations through support of alliances, foreign military sales, and other functions with approximately 6 percent of our workforce.

DOD employs a wide spectrum of occupational groups, all of which are linked to essential Defense missions. In fiscal year 1982, almost two-thirds of a million white collar workers supporting Defense missions were distributed into broad functional occupational groups. The groups are administrative (25 percent), clerical (33 percent), technical (19 percent), professional (18 percent) and other (5 percent).

Close to one-third of a million blue collar labor force were concentrated in depot-level maintenance and repair of aircraft and ships and in the support of base operations. Skilled crafts accounted for 82 percent, including electronic mechanics and electricians, machine tool, metal workers, pipe fitters, aircraft mechanics and various mechanics, repairmen, production workers, and technicians. The other 18 percent were employed in installation maintenance, logistics support, and vehicle operation.

Civilian manpower request

Our intention to employ the number of civilians necessary to meet our essential readiness goals is demonstrated by the reversal of Defense employment trends of the previous decade. Civilian end strength declined by about 30 percent between 1968 and 1980.

In fiscal year 1981, this administration reversed the trend as follows:

TABLE 19.—DOD CIVILIAN EMPLOYMENT

[By fiscal year, in thousands]

	Actual				Programed	
	1968	1980	1981	1982	1983	1984
Total [1]	1,393	990	1,019	1,030	1,056	1,072
Direct hire [1]	1,274	916	940	947	969	986
Indirect hire	119	75	80	83	87	86

[1] Excludes civil functions.

In fiscal year 1982 Congress authorized a strength of 1,024,500 civilians. DOD used its 2 percent flexibility to increase strength to 1,029,854. These increases were needed to complete work in-house that we thought would be accomplished through cost efficient contracting and to upgrade facilities in Europe, reduce Defense Investigative Service backlogs, and support increased workloads in the Defense Logistics Agency.

We expect to use the maximum 2 percent flexibility in fiscal year 1983. After Congress authorized 1,050,060 civilians, the fiscal year 1983 program was adjusted upward to 1,056,185 as part of the fiscal year 1984 budget preparation. However, since the fiscal year 1983 DOD Appropriation Act exempted industrially funded activities from statutory or administrative ceilings, the higher fiscal year 1983 total is only an estimate. DOD plans to evalute how the lifting of ceilings affects the operations of industrially funded activities in 1983. Data on staffing practices, capital investments, outputs, and costs will be collected and compared to performance measures from earlier years.

At the direction of Congress, the programed levels for fiscal year 1983 were not reduced to account for anticipated conversions to contract. This accounts for much of the apparent growth over the fiscal year 1982 level. This restoration of spaces carries over into future years. The fiscal year 1983 totals also reflect the congressional prohibition on military-civilian conversions.

An increase of 16,000 civilians is programed for DOD in fiscal year 1984. This increase is necessary to maintain an adequate defense capability. The growth will occur primarily in readiness-related areas such as maintenance support, supply inventory control, medical care, weapons modernization programs, military construction, and sealift activities. The fiscal year 1984 levels, like the 1983 levels, do not reflect anticipated conversions to contract.

The DOD has worked to increase the efficiency of its civilian operations. These efforts will continue in fiscal year 1983 and fiscal year 1984. The Defense Productivity Program (DPP) was established to improve DOD's effectiveness through the more efficient use of human and capital resources. As part of the DPP, $129 million has been designated for major productivity enhancing capital investments in fiscal year 1984. These projects are projected to have life-time return of approximately $14 for each $1 invested. DOD components will conduct efficiency reviews for all support functions that are not subject to cost studies for possible conversion to contract. All such reviews are to be completed by fiscal year 1987. Other DPP activities center on improving worker motivation.

MANPOWER MOBILIZATION

This administration places great importance on creating a capability to respond with appropriate military measures to a set of geographically dispersed, simultaneous emergencies. Toward this end, we have undertaken numerous initiatives to improve our mobilization capabilities during the past year.

Over the past 2 year, we have increased emphasis on military mobilization planning, conventinal force deployment planning, and contingency mission resource requirements. Because of the broadening scope and importance of these programs, the increasing interest in mobilization planning at the highest levels of government, and the continuing contacts required with top government officials, we established the new position of Deputy Assistant Secretary of Defense for Mobilization Planning and Requirements in the Office of the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics.

Late in 1981, the President established the Emergency Mobilization Preparedness Board (EMPB), a senior-level interdepartmental organization for the coordination of mobilization planning and guidance. The EMPB has chartered 12 interdepartmental working groups organized along functional lines. DOD actively participates in all of these working groups. I chair one of them—the Military Mobilization Working Group.

Currently my working group is:

Developing a common set of scenarios to guide all Federal agency planning.

Defining the kinds and amounts of resources the Department of Defense will require from the economy in a military crisis as well as determining the process for ensuring the acquisition of these resources with the aid of the other Federal agencies.

Determining how best to meet our needs for health care personnel in a crisis.

Developing the kinds, amounts, and process for ensuring non-Defense support for the deployment of our forces in time of crisis.

I believe this interagency role will pay big dividends in national preparedness.

We have been improving the Wartime Manpower Planning System (WARMAPS), the authoritative DOD-wide structure and source for time-phased, wartime military manpower prorgram data. WARMAPS institutionalizes the computation, presentation, and justification of projected wartime manpower needs and assets by providing a set of common definitions, parameters, computations, and data displays. Furthermore, the system is a data tool for programs to satisfy projected trained manpowere needs in wartime and provides a common basis for reviewing Service projections of wartime manpower needs. The latest WARMAPs manpower shortfall data are shown at Table 20.

TABLE 20.—*Estimated wartime military manpower shortfalls in fiscal year 1988* [1]

Army (at M+120)	110,000
Navy (at M+30)	15,000
Air Force (at M+60)	2,000
Marine Corps	0

[1] Only the peak shortfall between M-day and M+180 days is shown for each service.

Since end fiscal year 1980 we have made substantial increases in the supply of trained manpower at the time of mobilization. In the Army alone, the increase in trained manpower from end fiscal year 1980 to end fiscal year 1982 was more than 140,000. We estimate an additional 220,000 trained people will be added by fiscal year 1988. However, the need for manpower is also increasing rapidly.

The gross manpower shortfalls shown in Table 20 may obscure more difficult manpower problems in particular skills and grades. For example, the Army shortage in enlisted combat skills is estimated by fiscal year 1988 to be about 168,000. To combat this chronic problem we have, as mentioned earlier, asked for an extension of the military service obligation. Also, we have requested additional legislation for IRR bonuses, which we intend to target at particular occupations where shortages exist or are anticipated. These legislative initiatives, together with others resulting from the recommendations of the President's Military Manpower Task Force and within the authority of the Secretary of Defense, have the potential for eliminating the Army IRR shortfall by 1990.

Mobilization of our military resources also requires a concurrent expansion of activity by the DOD civilian work force. Planning for civilian mobilization, however, had been neglected for many years prior to 1981. Since then, the Services and Defense Agencies have taken major steps to improve civilian preparedness. All DOD Components now are required every two years to revise their estimates of how many additional civilians would be needed for each activity during a full mobilization. These emergency personnel would replace recalled reservists and military retirees. They would also handle expanded workloads in logistics, maintenance, and other support functions. Procedures are being evaluated to recruit these people through the help of the Department of Labor, rehiring of civilian retirees, and other measures.

NATO PROGRAMS

There are several programs critical to the ability of our forces to deter war in Europe. These are U.S. troop strength in Europe, POMCUS,[1] wartime host nation support (WHNS), NATO-related training, and maneuver damage claims. It is with great concern that I seek your support for them.

The existence of a strong, free, and independent Western Europe is vital to the long-term security of the United States. Europe has enjoyed an extended period of peace and prosperity since the close of World War II. Central to the maintenance of that peace and prosperity have been the North Atlantic Treaty Organization (NATO) and the defense contribution made by the United States within the NATO framework. The presence of more than 300,000 forward-deployed U.S. troops, and our ability to reinforce Europe rapidly from the United States in a crisis, have contributed to a credible and effective deterrent.

It is our firm belief that recent congressional actions regarding the POMCUS, the wartime host nation support (WHNS) programs and ceiling imposed on troop levels in Europe endanger our ability to fight and reinforce effectively and at the same time hamper the military revitalization and political cohesion of NATO. Last year's Congress failed to fund either POMCUS Division Sets 5 and 6 or the U.S.-German WHNS program and thereby undermined these two important cooperative initiatives to strengthen the conventional defense of Western Europe. In failing to fund these programs. Congress has argued that our NATO allies need to assume a larger share of the conventional defense burden in Europe. Ironically, these programs are ones that in fact would cause the allies to assume a larger share of that burden. Additionally, the placing of an artificial ceiling on our troop levels decreases our immediate combat capability and readiness.

While there is general agreement that both we and our allies need to do more, we will fail in that objective if we unilaterally draw down our forces or withdraw from agreements that were negotiated for the benefit, and at the urging, of the United States. The signal sent to our NATO allies by the fiscal year 1983 troop ceiling in Europe was very damaging. It weakens our force capability and damages our ability to negotiate greater contributions on the part of our allies. Wartime Host Nation Support (WHNS) and POMCUS are integral parts of a trans-Atlantic bargain—the Long Term Defense Program (LTDP), agreed to by NATO Heads of State at the May 1978 Washington Summit. Under its terms, the United States agreed to provide NATO with an essential D-Day force of ten divisions and associated air support in exchange for increased allied support for U.S. forward-deployed and reinforcing troops. When the United States and its NATO partners approved this program in 1978, they also agreed to the prepositioning of heavy equipment for three additional U.S. divisions in the Central Region, for a total of six division sets of POMCUS. Our allies agreed to provide support for these additional U.S. forces and to acquire the land and buildings necessary to prestock U.S. military equipment that would be used by those units.

Our European allies have kept their part of the bargain. We cannot expect to improve overall allied burden-sharing if we fail to fund our share of key programs designed for that purpose. More specifically, if the United States reneges on its commitments regarding wartime host nation support and POMCUS, we cannot expect to be successful in obtaining additional burden-sharing agreements with our NATO allies, such as the Master Restationing Plan currently being negotiated with Germany. Moreover, we give the allies an excuse to renege on agreements already made.

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[1] POMCUS (which stands for Prepositioned Materiel Configured to Unit Sets) provides a means of rapidly reinforcing Western Europe in a crisis by storing the heavy equipment for six U.S. divisions in Europe.

POMCUS

It is critically important that the United States follow through with its POMCUS program. Both Supreme Allied Commander Europe and the Commander-in-Chief, U.S. Army Europe have repeatedly stated that the full POMCUS program for six division sets is a military necessity. There have been suggestions that we should procure fast sealift rather than preposition these last two POMCUS division sets. In theory, of course, this is a possibility. But the costs would be enormous, and we could not acquire adequate quantities of fast sealift soon enough to provide a ten-division D-Day capability in the mid-1980s.

The Belgians and the Dutch have gone to great efforts to find suitable sites for Division Sets 5 and 6 in their densely-populated countries, and they have spent approximately fifty million dollars for site acquisition. The NATO Infrastructure Program has allocated more than 180 million dollars for construction at the sites for Sets 5 and 6. The failure of the United States to fulfill its POMCUS commitments could have serious political repercussions, particularly in Belgium and the Netherlands, where the planned deployment of ground-launched cruise missiles remains an important—although controversial—objective.

Another important concern has been the impact of POMCUS on the readiness of active and Reserve Component units. This concern was cited last year by the Appropriations Committees to support the decision not to fund the program in fiscal year 1983. This should not be a concern. Several years ago we were withdrawing equipment from CONUS units to fill POMCUS shortages. But the Secretary of Defense has approved an Army recommendation that POMCUS be filled from new procurement and depot over-haul equipment. Thus, we have adjusted the POMCUS fill schedule so as to negate its impact on CONUS units. Moreover, the Army procurement program has been substantially expanded since that time.

President Reagan's fiscal year 1984 budget request includes seventeen million dollars for transportation costs and other miscellaneous funds to support our fill of POMCUS Division Sets 5 and 6 when the sites become available late in 1983. In addition, we ask that Section 773 of the General Provisions of the Continuing Resolution Authority be rescinded. That section, which prohibits the use of funds for POMCUS in excess of four division sets must be rescinded to allow us to proceed with the program.

WHNS

We have made real progress in developing and expanding Wartime Host Nation support arrangements with our NATO allies. Our most dramatic achievement to date has been with the Germans. Almost three years ago we entered negotiations with the Federal Republic of Germany to seek a solution to critical shortages in the U.S. combat service support units that give our forward-deployed and our early-reinforcing combat units the support they need to fight. On April 15, 1982, we reached agreement on a program under which the Germans will provide approximately 93,000 reservists, in time of crisis or war, to perform support functions that otherwise would require U.S. troops.

The WHNS Agreement with the Germans says we will share, approximately equally, the total costs of this program to support U.S. forces. Actually, over the next 5 years, the Germans will pay slightly more than 50 percent of the costs; after this initial implementation period, the Germans will pay about 60 percent of the steady-state annual recurring costs, representing a significant contribution and burdensharing commitment.

The report of the fiscal year 1983 Continuing Resolution Conferees indicated that the WHNS agreement should be considered as a part of the foreign military aid budget. If this statement is correct, Germany, not the United States, should place its funds in a foreign military aid account, because it is U.S. troops who get the support. Also, unlike a foreign military sales program, the United States retains title to all equipment procured for use by Bundeswehr reservists in support of U.S. forces in Europe.

This agreement represents a breakthrough in our efforts to persuade our allies to assume a larger share of the NATO defense burden; because, up until now, one of NATO's basic principles has been that "logistics is a national responsibility." If Congress supports this program, we expect that our other NATO allies will become increasingly receptive to the concept of providing essential in-theater logistics support to U.S. forces in wartime.

But this will only happen if the United States keeps its part of the bargain. Germany has set aside nearly eighteen million dollars to pay its share of implementation costs for 1983. We anticipate that Germany will double its contribution to the program in 1984. Germany has reaffirmed its commitment despite the fact that we failed to keep our part of the bargain in 1983. It now is up to us to do our part in support of this critical program.

President Reagan's fiscal year 1984 budget request includes forty-one million dollars to pay the U.S. share of costs in 1984 for the Wartime Host Nation support program.

European troop levels

The congressional ceiling on the number of U.S. military personnel that can be permanently stationed ashore at the end of ficsal year 1983 requires DOD to reduce its planned European strength by about 5,200 people. The increases planned for fiscal year 1983 are improvements to the capability and readiness of our deployed forces. Some of the planned fiscal year 1984 increases are to support the deployment of GLCM and Patriot, increase the manning of aircraft squadrons, convert intelligence units, to the more capable CEWI organization, and increase the strengths of combat service support units, which will decrease the shortfall in logistical capabilities. Their loss or alternative reductions will weaken deterrence.

The Joint Chiefs of Staff and the OSD staff are jointly studying what adjustments should be made in our European manning plans to meet the fiscal year 1983 ceiling. While we have not yet completed our analysis, it appears that we will have to defer at least some of our fiscal year 1983 plans as well as look for other ways to accomplish the mission. While some missions might be accomplished by the use of more contractors, host nation support, indigenous labor service units or in other ways that would allow reduced U.S. military presence, there is probably not enough time remaining in fiscal year 1983 to carry out such alternatives. In the short term we will be forced to make difficult strength reductions that will weaken our wartime capability.

The Secretary of Defense, the Joint Chiefs of Staff, and I strongly urge the Congress not to set a European strength ceiling for fiscal year 1984. We will work to keep the number of military people in Europe to a minimum consistent with our need to have a strong deterrent partnership with our allies. We plan each year in our Manpower Requirements Report to imform the Congress of our plans for European strength. Rather than impose arbitrary ceilings we would hope the Congress review that report and, if it feels it necessary, to question the Services on their plans for European strength.

Training

Three other issues—all concerning training—have serious implications for our ability to carry out our obligations as a member of NATO. The first two issues involve charges to the Allies for training provided by the United States:

According to NATO practice, which is embodied in a NATO Standardization Agreement (STANAG 6002), charges for training provided to a second nation should include only the marginal costs attributable to the second nation's students. U.S. law requires us to charge higher prices that include elements of fixed cost. The Department of Defense strongly favors legislation that would allow us to ratify STANAG 6002 without reservation.

General Provisions in the Defense Appropriation Acts for fiscal year 1981 and 1982, and again in force for fiscal year 1983, require us to charge full costs for military students who require hospitalization in DOD facilities while in training in the United States. Our longstanding practice, which was consistent with the NATO Status of Forces Agreement of 1951 and STANAG 6002, had been to charge only the fees we charge U.S. personnel. We again are requesting that this provision be deleted.

These two provisions are continuing obstacles to expanded allied use of U.S. training resources and, consequently, to good training for people we rely on to fight side-by-side with our forces. They also are continuing irritants in Alliance relations. We ask the Congress for relief on both provisions.

The third issue is the persistent, large, congressional reductions in the appropriation Claims, Defense. These reductions are aimed specifically at funds used by the Army to pay claims for damages caused by U.S. forces during field maneuvers in Germany. It is important to recognize that:

Due to the extreme scarcity of dedicated training space in Germany, maneuver training of units above company size must take place in the civilian countryside.

These maneuvers are absolutely necessary to maintain readiness.

Even operating under stringent rules, armored units are going to cause some damage.

Under the NATO Status of Forces Agreement, the nation doing damage is liable for the resulting claims.

Congressional reductions in claims funds threaten not only our ability to make payments in accordance with our treaty obligations but put our ability to train adequately at risk, thereby decreasing our force readiness and capability.

SUPPORT REQUESTED FROM CONGRESS

Strength levels

The Department requests authorization of active and reserve military and civilian manpower for fiscal year 1984 and fiscal year 1985 at the levels shown in the following table. Actual fiscal year 1982 and planned fiscal year 1983 strengths are shown for comparison.

TABLE 21.—DEFENSE MANPOWER [1]

[By fiscal year, in thousands]

	Actual 1982	1984 budget		Request 1985	Difference 1982–84
		1983 [2]	1984		
Active military	2,108.6	2,127.4	2,164.7	2,213.0	56.1 (2.7)
Selected Reserve	931.7	991.5	1,014.0	1,047.2	82.3 (8.8)
Civilian	1,029.9	[3] 1,056.2	[3] 1,072.2	[3] 1,080.9	42.3 (4.1)

[1] End of fiscal year strengths for active military and civilian; average strengths for Selected Reserve.

[2] Fiscal year 1983 Authorization Act (Public Law 97–252) authorized 2,130.0 active military, 977.0 Selected Reserve, and 1,050.1 civilian.

[3] Does not reflect anticipated conversions to contract.

Active Forces. The following table shows actual fiscal year 1982 and planned fiscal year 1983 and fiscal year 1984 active military strength by Service:

TABLE 22.—ACTIVE MILITARY MANPOWER

[End-fiscal year strength, in thousands]

	Actual 1982	1984 budget	
		1983	1984
Army	780.4	780.0	782.6
Navy	553.0	560.3	572.6
Marine Corps	192.4	194.6	197.3
Air Force	582.8	592.5	612.6
Total	2,108.6	2,127.4	2,164.7

Guard and Reserve. The requested average strength for fiscal year 1984 for the Selected Reserve is shown by component in table 23.

TABLE 23.—SELECTED RESERVE STRENGTHS BY COMPONENT

[Average-fiscal year strength, in thousands]

Component	Actual 1982	1984 budget	
		1983	1984
Army National Guard	399.3	415.7	418.4
Army Reserve	243.0	262.6	270.7
Naval Reserve	89.3	105.5	112.6
Marine Corps Reserve	38.0	40.2	40.3
Air National Guard	99.2	101.5	103.4
Air Force Reserve	63.0	66.0	68.6
Total	931.7	991.5	1,014.0

Both active and Reserve component manning increase by about two percent between 1983 and 1984 as we continue to improve the readiness and combat capability of our forces. Our policy is to maintain as small an active peacetime force as national security policy and our military strategy will permit. Active military people are employed only in those jobs which require immediate readiness for combat operations or combat support and the training and rotation base that supports our force. We are substantially increasing our reliance on component units for more and more complex missions. Reserve units have demonstrated their capability to maintain high readiness levels and we will continue to improve their manning and equipment.

The Army end strength will increase in fiscal year 1984 by only 2,600, but this masks an increase in force structure spaces of about 8,200 resulting from a significant drop in the number of students and trainees required to support the force. The increase in force structure will allow the Army to convert its heavy divisions to the more robust Division 86 structure and its intelligence units to the more capable Combat Electronic Warfare and Intelligence (CEWI) organization, and to activate an additional Special Forces Group to improve its unconventional warfare capability.

Most of the increases in Navy active manpower are to man new units being added to our growing fleet. The battle force will increase by 20 ships in 1984 and a new aircraft wing will be formed for U.S.S. *Carl Vinson* (CVN-70). Increases in the fleet bring additional requirements for support. Naval Reserve increases are for fleet units and support units, with particular growth in the Reserve frigate program and in Reserve medical support units.

The increases in active and Reserve Marine manpower reflect both new equipment (light armored vehicle, TOW missile) and increased manning of active and reserve combat support units. This will improve the sustainability of our Marine air-ground task force.

Air Force active military strength increases are largely the result of growth in the numbers of tactical aircraft, the Ground Launched Cruise Missile program, and associated maintenance requirements. USAFR increases reflect the continued modernization and expansion of its Tactical Fighter Force, including the increases in A-10, F-4 and KC-10 aircraft and introduction of the F-16. ANGUS increases are the result of the addition of 14 F-4, and 6 F-16 aircraft.

Civilians

Total estimated DOD civilian employment in fiscal year 1983 is programed to rise by about 2.5 percent over fiscal year 1982. This is the third year of increases after a long period of decline. Somewhat higher civilian employment is planned for fiscal year 1984. The growth in civilian levels is needed to support the increased readiness and sustainability objectives of this administration.

Military student training loads

"Student loads" are the average number of military students and trainees of each Service and component enrolled in formal schools of the Military Services for training and education during a given year. Student loads requested for fiscal year 1984 and 1985 are shown in the following table. The details of these training and education programs are explained in the Military Manpower Training Report for fiscal year 1984.

TABLE 24.—REQUESTED MILITARY TRAINING STUDENT LOADS

	Fiscal year 1984	Fiscal year 1985
Active Forces:		
Army	71,817	77,365
Navy	66,911	67,987
Marine Corps	21,105	21,185
Air Force	49,007	53,283
Subtotal	208,840	219,820
Reserve components:		
Army National Guard	21,105	20,134
Army Reserve	12,724	11,605
Naval Reserve	2,886	2,967
Marine Corps Reserve	3,223	3,223
Air National Guard	2,845	2,843
Air Force Reserve	1,705	1,751

TABLE 24.—REQUESTED MILITARY TRAINING STUDENT LOADS—Continued

	Fiscal year 1984	Fiscal year 1985
Subtotal	44,488	42,523
Total DOD	253,328	262,343

Legislative proposals

In addition to the strengths and training loads requested above, I strongly urge the Congress to support the Department's legislative initiatives.

It is imperative that authority to pay enlistment and selected reenlistment bonuses be extended past the expiration date of March 31, 1983.

The extension of the military service obligation from six to eight years and the IRR bonuses are needed to overcome our wartime military manpower shortfall.

Early passage of legislation to block the transfer of the Department of Defense Dependents Schools to the Department of Education will reduce worries of military families about their dependents' education.

NATO legislative initiatives under consideration—POMCUS, WHNS, European troop levels, training charges and maneuver claims—are important both to our agreements with our allies and to the ability of our troops to fight a NATO war.

The extension of the delimiting date on the GI bill under consideration will remove the incentive for a service member to leave the Service to use his/her GI bill entitlements. The Department does not support enactment of a new GI bill this year.

The removal of aptitude and educational quality restrictions on new enlistees will give us management flexibility as we man the force in future years from a declining manpower pool.

Two legislative packages to reform the laws governing general and flag officer grades were submitted by the Department during the 97th Congress. The first submission was a bill "To eliminate general or flag officer grade requirements from certain statutory positions, and for other purposes." Hearings were held on that bill by the Subcommittee on Manpower and Personnel, Senate Armed Services Committee (SASC). The result became S. 1906 which was referred to the full Committee where it was reported out; however, it never came to a vote during the 97th Congress. The second package, submitted on March 24, 1982, was a bill "To amend Title 10, United States Code, to revise and standardize the provisions of law relating to the distribution, appointment and assignment of flag and general officers of the Army, Navy, Air Force and Marine Corps." Due to the press of more important matters, the SASC Subcommittee on Manpower and Personnel was unable to schedule hearings before the adjournment of the 97th Congress. We plan to resubmit both of these packages for consideration by the 98th Congress. The first bill is carried on our schedule as DOD 98-51 and the latter bill is carried as DOD 98-62. We encourage Congress to take up these two important pieces of legislation as early as practicable and we urge their passage.

In addition, legislation will be proposed which would make permanent the current limitation on cost-of-living (COLA) adjustments for non-disability retirees under age 62 by allowing one-half the full COLA increase after 1985 and which would also round all benefit amounts to next lower dollar.

CONCLUSION

This manpower program is designed to promote the most efficient utilization of our active duty, reserve, and civilian personnel. It is firmly based on the President's assessment of our national security needs, and it balances our obligation to the Nation's taxpayers and to our military and civilian members. We welcome the Congress' careful scrutiny of our program and are confident that, working together, we will continue the fine progress recently begun in addressing defense manpower needs.

Senator **Jepsen**. As I indicated earlier, all of the statements will be entered in the record as if read.

At this time I would like to ask if any other member of the panel has any remarks. General Thurman?

STATEMENT OF LT. GEN. M. R. THURMAN, USA, DEPUTY CHIEF OF STAFF FOR PERSONNEL

General THURMAN. Thank you very much, Mr. Chairman, it is a pleasure to be before the committee again. I want to thank the members of the committee for their understanding support of the soldiers during the past year.

Let me just add a couple of points to my statement. First of all, in the Army, the end strength is relatively stable in the active, the Reserve, and the National Guard. In the active component we are up about 2,600 in the fiscal year 1984 request over the 1983 position.

In the National Guard, we are up about 4,000, and that is in full-time manning personnel to increase readiness in National Guard units.

In the United States Army Reserve we are up about 4,000, and that is also principally located in the full-time manning program.

We have a relatively stable end strength and we intend to continue that position through 1984.

In the civilian account, we are up to 400,000 essentially because of the direction of the Congress to pay back certain things in contracting out, commercial activities and with borrowed military manpower and other accounts. We are obeying the intent of Congress in that regard.

As you will recall, 3½ years ago in the fall of 1979, our Army was about 17,000 short in people. Since that time, with the help of this committee we have rectified that shortage. We were some 16,000 noncommissioned officers short then. I am happy to say that by the end of April 1983 we should eliminate our combat arms noncommissioned officer shortages.

So, what I am suggesting to you is that with the tools that you have provided, principally the enlistment bonuses, the selective reenlistment bonuses, and the educational incentives, we know how to manage the end strength of the Army and we hope that you will see fit to extend the bonus system past the March 31 deadline.

I notice that in the House, one of the committees has voted an extension for 18 months. I would recommend to the committee that they consider putting that into effect for a substantially longer period of time so that we can shape our programs over the long haul as opposed to coming back to it every year-and-a-half or so.

I would like to say that we have met our accession quality requirements that the Congress laid down for us. You required us to come in with 65 percent high school diploma grads; we achieved 86 percent last year. You required us to come in at 25 percent mental category IV; we came in at 19 percent. This demonstrates that with the tools you have provided we can meet your 20-percent test category IV number this year.

CIVILIAN WORK FORCE

The final thing I would point out concerns our civilian work force. With the proposals currently being discussed with respect to the social security program and the like, I would just like to mention a couple of points about that and say, as the Congressional

Budget Office has indicated, that the pay comparability of our civilian work force is in jeopardy in 1984.

As we look at those proposals on social security, we find that the retirement contribution of those civilians now serving will go up to about 11 percent by 1985, plus there will be a medicare provision which will add 1.3 percent for a total of about 12.3 percent. New members entering the civil service would contribute about 11 percent, 6.7 to social security and 4.3 percent to a system as yet undefined in the retirement scheme.

If I were a civilian, I would wonder about my purchasing power and my take-home pay declining as I see those sorts of things looming ahead. I would say that the concern about the future solvency of the civil service retirement system, with new people not contributing at the rate in which those now serving have been contributing puts it into the category of something we need to take a very hard look at, the long-haul civil service retirement system and the contribution to social security.

Again, I would like to tell you that it is a privilege to be before the committee and I look forward to answering your questions, sir.

[The prepared statement of Lieutenant General Thurman follows:]

Prepared Statement by Gen. Maxwell R. Thurman, Deputy Chief of Staff for Personnel, U.S. Army

INTRODUCTION

Last year the Army was presented with a long-awaited opportunity to rebuild a force based on competency.

A competency-based force demands that all its members be up to the tasks at hand. It requires talent, motivation and patriotism to Be All You Can Be. While it is relatively easy to describe what a model force should be, it is another, far harder task to build and sustain such a force.

I reported to you last year that we had already started to transform the way we recruit, assign and promote soldiers so that quality would count for more than quantity. I promised that we would continue this effort.

The ultimate test of any army is the battlefield. But short of that, it is still possible and practical to examine an army in terms of competence and quality. A confident army like ours welcomes an inspection that exposes its strengths and identifies it weaknesses, so long as the examination is unbiased and balanced.

My intention this year is to help Congress inspect the Army with a view toward supporting the fiscal year 1984 budget request. By demonstrating how our personnel policies have strengthened the Army and contributed to our security, I am confident you will continue to help us build an Army of excellence to match our stature as a great Nation.

Last year we predicted that the quality of soldiers coming into the Army would be better than ever. It was.

We said that we would reduce the shortage of noncommissioned officers to improve leadership at the cutting edge. We have.

We promised to extend the privilege of reenlisting to only the most competent, versatile soldiers. That promise was kept.

We began a campaign against alcohol and substance abusers. We have yet to complete the foray, but we are making progress.

We said that stability in units needed improving. The New Manning System, with its regimental structure, has moved the Army toward stability and cohesion.

We said the Army would benefit if we paid more attention to the needs of families. We have now set new programs in motion to improve family life.

We indicated that the leadership climate should be improved. We have improved leadership training, creating conditions which allow leaders to lead.

We said that nothing is more important to the Army than its people. Everything we have done reinforces our belief in the truth of this assertion.

The leaders of the Army proudly accept the responsibility for their stewardship. But without the support of the Congress, even the best of stewards would find difficulty building an Army of excellence.

We appreciate the financial resource support that Congress provides; and we use that support efficiently. We believe, however, that Congress also serves the Nation well when it inspires the Army to strive for excellence, which is the hallmark of our heritage.

Our soldiers are proud of our country, ready to defend our Nation and preserve its institutions. Congress has helped create these favorable conditions by supplying the resources and moral support needed to meet our peacetime and wartime missions.

COMPETENCY ISSUES—RECRUITING

Recruiting good soldiers is the first step in building a competency-based total Army. It is widely known that fiscal year 1982 was a good year for the Armed Forces. In past years, success was measured by the ability to recruit the numbers needed to fill vacancies. But during fiscal year 1982 the Army (with congressional support and encouragement) looked beyond numbers and into the quality of those we were bringing in.

We use two yardsticks to measure quality: (1) whether the recruit is a high school diploma graduate (HSDG), and (2) the recruit's achievements on the Armed Forces Qualification Test (AFQT), a score derived from the Armed Forces Vocational Aptitude Test. They measure motivation, discipline and trainability. Recent results are depicted on charts 1 and 2, both reflecting an upward trend.

ACTIVE ARMY RECRUITING
(000)

	FY 76	FY 79	FY 80	FY 81	FY 82	FY 83*	FY 84*
Objective	192.6	159.2	172.8	136.8	125.1	142.1	134.5
Accessions/ Delayed Entry Program	193.0	142.2	173.2	137.9	130.2	(103.4**)	
%	100.2	89.3	100.2	100.8	104.1	(72.8**)	
High School Grad (Male)	91.3	65.6	66.5	77.5	88.4	91.0 (72.6**)	95.0
High School Grad (Female)	14.2	17.2	19.3	17.2	15.2	17.5 (13.2**)	19.0
Total HS Grads	105.5	82.8	85.8	94.7	103.6	108.5 (85.8**)	114.0
% Grads	58.6	64.1	54.3	80.3	86.0	(90.4**)	91.6
	Last Yr GI Bill				1st Yr College Fund		

*FY 84 President's Budget
**As of 21 Feb 83 (preliminary data)

Chart 1

Chart 2 also illustrates that the Army is now attracting a balanced cross-section of American youth. This was not true in 1981, however, when only 39 percent of our accessions were upper-half scoring youth on the AFQT.

COMPARISON OF AFQT SCORES OF 1980 YOUTH POPULATION
AND
FY 81/82 NON-PRIOR ARMY ACCESSIONS (Percent)

AFQT CATEGORIES	U.S .YOUTH POPULATION (age 18-23)	DOD TOTAL		ARMY		
		1981	1982	1981	1982	1983*
I	4	3	3	2	3	4
II	33	30	34	21	29	31
IIIA	16	22	24	16	21	25
Sub-Total Above Average	(53)	(55)	(61)	(39)	(53)	(60)
IIIB	16	27	26	30	28	25
IV	24	18	13	31	19	15
V (not elgible for mil svc)	7	0	0	0	0	0
TOTAL	100%	100%	100%	100%	100%	100%

*projected as of 25 January 1983

Chart 2

Improving the quality of soldiers entering the Army means little if a portion of the more talented soldiers do not serve in the combat arms—infantry, armor and field artillery. Statistics from the past three years reflect steady improvement, as depicted on chart 3. This is a credit to our recruiters, enlistment bonuses and educational incentives.

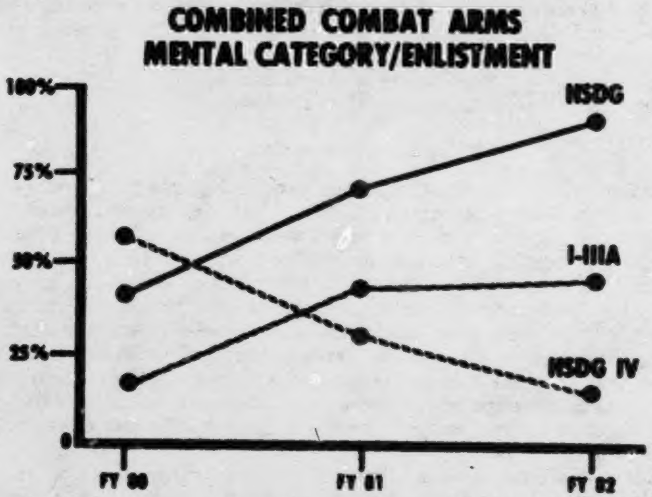


Chart 3

A portion of the talented soldiers entering the combat arms will quickly rise to leadership positions, enriching the noncommissioned officer corps.

Some may argue that the Army does not really need so many talented soldiers to operate, maintain and lead our small units—that we can accomplish our diverse missions satisfactorily with soldiers of lesser ability. Unfortunately, such critics fail to appreciate that combat readiness and modernization depend upon soldiers equal to the challenges of the future. The models of the past must be retired to museums.

MODERNIZATION IS READINESS

It may be true that most soldiers can be transitioned from one series of equipment to another, which is a kind of model change. But when we replace one weapons system with another (the Patriot in place of the Hawk missile) or bring in entirely new systems (such as the Multiple Launch Rocket System), we are confronted with some tasks that have not comparable foundation in the existing arsenal. Soldiers with the ability and ambition to operate and maintain these new systems to their full potential are available in America, but we will have to compete for them. Modernization is readiness, and readiness enhances our competitive battlefield edge at the least possible cost. This forces us to respect the human element of emerging technology, matching quality soldiers with good machines.

Because we are a total Army, it is necessary to recruit high quality soldiers in all components. The recent manning results reflect our balanced approach, with recruiting for Reserve Component (the Army National Guard and Army Reserve) comparable to the favorable qualitative and quantitative successes experienced by the Active Component.

PEOPLE ARE THE ARMY

During fiscal year 1982, the Army National Guard achieved 99.6 percent of its numerical objective (95,618 of 96,000); 68.4 percent of the male accessions were high school graduates; 88.2 percent of non-prior service personnel were in AFQT categories I through IIIb, with only 11.8 percent in AFQT category IV, the lowest acceptable.

The Army Reserve achieved 112 percent of its recruiting goal (74,474 of 66,488); qualitatively, 64.9 percent of the males without prior service were high school graduates, and 86.2 percent of all accessions were in AFQT categories I through IIIb, with only 13.8 percent in AFQT category IV.

It pleases all of us to watch so many of America's future leaders stepping forward to assume a meaningful role in our Nation's defense.

REENLISTMENT

Reenlistment programs substantially achieved all goals for fiscal year 1982 in both the Active and Reserve components. The challenge faced in the Active Army was to constrain the reenlistment of soldiers who wanted to reenlist but lacked the potential for further service as noncommissioned officers. This continues to be the focus of our management effort. About 5,000 soldiers were denied reenlistment during fiscal year 1982 through policy changes which raised standards. In simple terms, however, our initial efforts to toughen new reenlistment standards have done as much as anything else to change the Army's image of itself. Those who "survived the cut" know that they have been recognized and rewarded for their professionalism, self-discipline and competence. Those who were not selected were returned to civilian life without a stigma on their records, improving their chances of succeeding in another field.

This does not mean that commanders have an easy time meeting their reenlistment goals. They must constantly evaluate soldiers to insure only those with the potential to be noncommissioned officers or technical specialists in the career force are allowed to reenlist and only in the skills where they are most needed. Soldiers in the lower AFQT categories are, for obvious and understandable reasons, more likely to seek reenlistment than their more able counterparts. Therefore, commanders not only have to work with the most eligible soldiers to persuade them to stay with the Army, they also have to help the Army find the best soldiers to fill shortage skills. Pay, benefits and Selective Reenlistment Bonuses (SRB) available to reenlisting soldiers often make the difference between retention and separation.

Make no mistake: Selective Reenlistment Bonuses are essential to creating a balanced, quality force. We run the risk of jeopardizing current efforts, if the authority to pay SRB (and enlistment bonuses) is not extended beyond March 31, 1983.

NONCOMMISSIONED OFFICERS

Shortages in the corps of noncommissioned officers have been virtually eliminated, as depicted on chart 4. There are exceptions, however, in the combat arms and intelligence fields.

TOP 5 ENLISTED STRENGTH
E5-E9

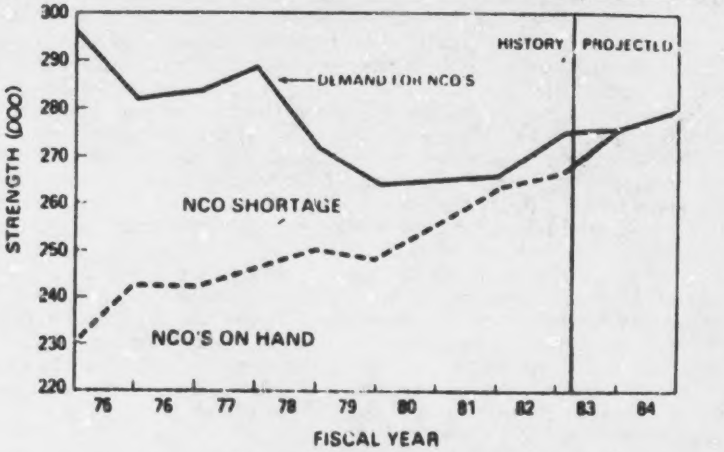


Chart 4

The combat arms shortage exceeded 6,000 in 1981. It was reduced to about 2,000 during 1982, and will be eliminated this year.

The forecast in the intelligence skills (intelligence and electronic analysts, equipment operators and maintenance personnel) is not as favorable. By the end of fiscal year 1982, a shortfall of 1,440 remained, down only 638 from the shortages we faced at the beginning of the year. It may take several more years before we can solve this troublesome problem because of the lead time requirements to educate those entering intelligence fields. At the same time, our need for soldiers with these skills is increasing, highlighting the importance of human ability and high technology on the modern battlefield.

OFFICER CORPS

There is no similar officer problem for the Active Component. We are accessing sufficent numbers of new officers through the US Military Academy, the Reserve Officers Training Corps (ROTC) and the Officers' Candidate School. There are still shortages in the Reserve Component, however, and we depend upon ROTC to meet the demands of the National Guard and Army Reserve.

Looking for ways to improve the officer corps further, we are shifting our ROTC commissioning efforts to produce officers with the technical skills we need most. This is accomplished by targeting ROTC scholarships to attract students into ROTC who will pursue specific disciplines required by the Total Army. Our ROTC leadership is already seeking out potential students through institutional surveys. The findings will be used to help us to consolidate our recruiting efforts to meet total Army officer requirements in quality, discipline and numbers. Conclusive results will not be known for several years, but the upward trend is already apparent.

CIVILIANS

Civilians serving in the Department of the Army continue to provide outstanding service throughout the world, with a direct application to mobilization and the readiness of the Army. Their administrative and technical skills are critical to the quality of the force; and without their talent and dedication, modernization in both

Active and Reserve components would be far more challenging. The fiscal year 1984 budget calls for a civilian end strength of 400,000, an increase of 7,000 over fiscal year 1983. This space increase accommodates congressional directives to restore commercial activities spaces withdrawn in fiscal year 1981–83 and cease conversion of civilian technicians in the Reserve Component. I hope you will support this request for the favorable impact it has on the total Army.

MORALE AND ESTEEM ISSUES

The Army did not rediscover the importance of leadership during fiscal year 1982, but we did take steps to implement the Total Army Leadership Goal. We also responded to pleas from leaders at the lowest echelons to give them additional authority, allowing them to be more creative and to do the things they already know need to be done. Our "empowering" efforts have been received with enthusiasm.

In addition to granting leaders more authority to make decisions affecting the welfare of their command, we have also slowed the turnover of commanders at the battalion and brigade level. Philosophically, the Army has moved away from the practice of rotating commanders every year or so and toward the policy of keeping field-grade commanders in battalions and brigades in place for up to 36 months. While this gives fewer officers the opportunity to command, it does stabilize leadership at troop level and promotes confidence between the leaders and the led, which is the key to competence on the battlefield.

Our efforts to reduce turbulence are also evident as we move toward implementing our New Manning System, built around an American regimental system. Moving the Army forward with the New Manning System is a massive undertaking; the Army has tried similar programs before, all of which were unsuccessful. Aware of the pitfalls, we are moving slowly in small steps to build company-sized units which will train together, deploy overseas together and stay as a unit for 3 years. For example, this year the Army will rotate units at the company level between the United States, Germany and Korea.

One immediate result of our experience in building a regimental system is that we have started to apply lessons learned to platoon training. We have learned that we can bring soldiers together in platoon configurations at the start of initial entry (basic) training and keep them together throughout initial and advanced training. We are trying to keep the platoon intact beyond the early training phase to take advantage of the cohesiveness embedded in the process.

Last year, we assembled 264 combat arms platoon packages and deployed 113 overseas. This year we will train approximately 300 platoons, extending the program from infantry, armor and artillery units to military police and missile skills.

We cannot highlight the importance of unit cohesiveness without considering the relevance of family cohesiveness. It is pointless to believe that we will retain effective soldiers, without regard for their families. The fact is, if soldiers are torn between the Army and their families, the Army usually loses. We are not surprised: the kind of mature and responsible soldier we want in the Army naturally has strong family feelings. The best way to stop this talent flight is to set goals for soldiers and their families.

The overall purpose of setting high human goals is to help every member of the Army family reach his or her full potential. We can easily teach soldiers to perform tasks by rote, but it takes a far more subtle effort to unlock their creative powers.

RESOURCE ISSUES

Competence implies confidence, dedication and determination. Armies long on spirit but short of human and materiel resources have accomplished miracles, reinforcing the notion that a good army cannot be merely purchased. But finally we reach a point where the importance of adequate resources cannot—rationally—be understated, particularly in a peacetime environment. We have reached that point.

In 1979—only 3½ years ago—conditions were unsatisfactory:

The Army was short 17,000 soldiers.

The Army was short 16,000 noncommissioned officers, including 7,800 in the combat arms.

Seven Active Component divisions and 7 National Guard divisions were not ready for combat.

The Army National Guard was 57,700 short of authorized paid drill strength.

The Army Reserve was 70,000 short of authorized paid drill strength.

I am not suggesting that we need more resources to underwrite growth. The fiscal year 1984 budget does not call for a larger Army. But we do need sufficient resources to continue bringing more quality people into the Army and to retain those who are now members of the forces. This will help us recover from the nadir of the last decade, as explained above. Recovery in both Active and Reserve components is attributable to pay comparability, educational benefits and added recruiting resources. Soldiers' confidence is also inspired, of course, by the arrival of the most modern and effective equipment from American industry.

The army that meets our Nation's needs cannot be created overnight. If we fail to bring in or retain the competent soldiers now, the malaise may not be apparent for another decade, but the symptoms will be present from the moment standards are lowered. The quality of leadership at the noncommissioned officer level may also be woefully inadequate to transform a weak army into a strong one: we simply cannot grow competent leaders overnight.

If a soldier with 15 years' experience leaves the Army for "greener pastures," he takes his accumulated experience with him. We can recruit another soldier to take his place, and the size of the Army stays the same; but it takes 15 years to replace the competence.

During the past several years, Congress has supported the Army's drive toward excellence, setting goals for quality that we wanted and were required to meet. The Army welcomed this support, anxious to regain the momentum we lost during the latter days of the Vietnam era.

However complete the recovery seems now, the road has been long and hard. There have been some false starts along the way, as we learned the hard way just what it takes to make the all-volunteer force work. Advertising must be supported with an effective and responsive recruiting network. And we must be patient: some seeds we plant will take years to germinate.

In the final analysis of the competence issue, the question of compensation cannot be avoided. Because we are dedicated to building an Army in which the Nation can take pride, we find no way to shirk from the fact that it can only be built with incentives to attract and retain quality people: soldiers and civilian employees.

Philosophically, we can never pay soldiers what they are worth, because freedom cannot be bought with cash, nor can a dollar value be placed on human life. However, the men and women who constitute the total Army deserve—at least in principle—pay comparability with the private sector wage growth. In fiscal year 1983, the Armed Forces and civilian employees received a 4-percent pay increase and an associated Variable Housing Allowance pay cap, while the private sector wage growth was between 8 and 9 percent, depending on the index used.

While we understand the decision that there will be no pay adjustment during fiscal year 1984, we support the Secretary of Defense's determination to restore full pay comparability during fiscal year 1985.

Although we concur with the decision to postpone the fiscal year 1984 adjustment, we cannot ignore the likely results. When basic pay keeps up with the wage growth (as defined by the Bureau of Labor Statistics), the retention rate of soldiers with 5-to-10 years' of service improves. Conversely, when basic pay lags behind the civilian sector, there is an exodus of experienced noncommissioned officers in the pay grades E5 through E7.

Another dimension of the pay comparability issue is that as experienced noncommissioned officers leave the Army they must be replaced by inexperienced recruits who have to be drawn from our diminishing supply of manpower. This is costly and inefficient.

Health benefits to active duty and retiree families are a part of the compensation package which attracts and retains quality personnel. These benefits, whether provided by military facilities or through the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS), must be at least comparable to care provided in the civilian sector. Maintenance of health and benefit programs at current levels is essential; expansion of these programs, to include a family dental care program similar to many private sector plans, is an important part of the Army's health care program requiring congressional action.

Competitive pay and adequate medical care meet two basic needs of our soldiers. Another area of significant importance to our soldiers and their families is the condition of facilities in which they live. Essential family housing has been severly underfunded for a number of years. The fiscal year 1983 budget began a reversal of this trend; the fiscal year 1984 budget requests increased funding to reduce maintenance and construction backlogs in all areas of family housing. If fully funded, the fiscal year 1984 request will meet annual fixed costs to operate and maintain current assets and will increase foreign leases and construction to support forward deployed soldiers and their families. Additionally, the request contains provisions for funds to begin reducing large backlogs in deferred maintanance and repairs and to provide construction projects at CONUS installations where severe housing shortfalls exist.

Hand-in-hand with the requirement for better living facilities is the need to improve the work environment. The fiscal year 1984 budget request sustains the maintanance and repair effort needed to fix the facilities used by all Army activities. The recurring requirements generated as a result of aging and use of real property must be met, and the backlog of maintenance and repair projects which have been growing in geometric proportions over the past decade should be reduced.

We also seek realistic levels of reimbursement to reduce out-of-pocket costs servicemembers incur when they move from one station to another. Currently, servicemembers themselves are being forced to bear a portion of the Army's "cost of doing business." We would like to have this penalty eliminated.

CONCLUSION

The total Army family is a large family with a variety of requirements, needs and diverse interests, but with a single focus: deter if we can, win if we must.

We take the threat seriously. We know that our freedom faces the greatest challenge from abroad, and meeting this challenge requires the use, or implied use, of military power. The Army is mindful of its strategic role, and the personnel community is organized to support the Army in pursuit of its historic mission.

The costs of supporting a quality personnel system may appear, by some standards, large in the short run. But a smarter, more competent and skilled Army is cheaper in the long run—better maintenance, better training, better able to expand should mobilization be required, and better on the battlefield. We hope the Congress shares our view that the costs are affordable. Most of all, we hope that the Congress will recognize that the Army has been transformed in recent years from a hollow force to one that is not innovative and unique with soldiers who believe in themselves and the future of the United States.

Building an Army of excellence is a long-range task. Decisions that are made today often influence the Army for decades, especially when it comes to recruiting. If we bring in good soldiers now, we reap the benefits of their talents for up to 30 years. On the other hand, if we bring marginal soldiers into the force, we must make allowances for inefficiency for up to three decades.

Retaining good soldiers through reenlistment adds to the challenge of building a competent Army. Good soldiers will reenlist, provided that their needs are met. Certainly, prevailing economic conditions are relevant, because it is easier to reenlist some soldiers when the employment picture is relatively bleak. But when we exploit good soldiers during the lean years, what is their incentive for staying with us in times of plenty? What is the impact on self-esteem?

In conjunction with the incentives we offer to stay with us, we must also concentrate on retaining families. Our families requirements are modest. Army families have reasonable expectations.

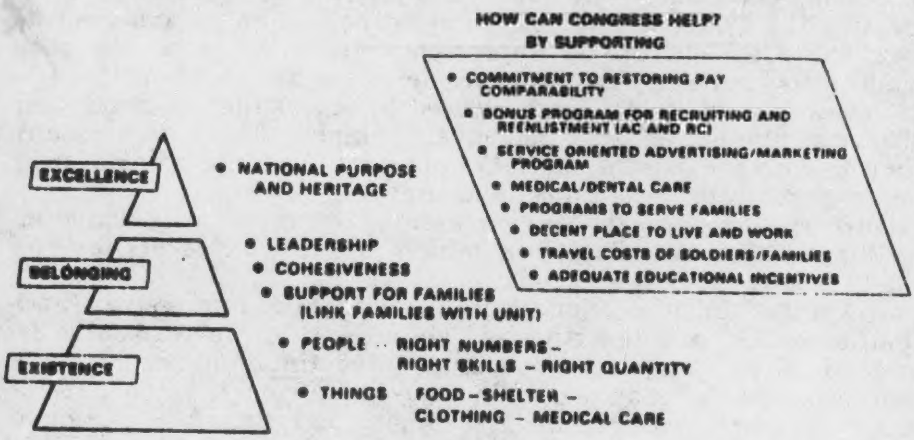
I also wish to restate our commitment to the total Army. Almost everyone familiar with the issue understands that if we go to war now, the total Army will be involved. Superficially, there is competition for scarce resources, so we manage resources by priorities. But the goal is the same throughout. From a personnel perspective, we all realize that a scarcity of competent manpower anywhere in the Army total weakens the total Army.

In sum, the Army is well down the high road of competence. I have shown you some of the yardsticks we use to measure ourselves. We have based our request for your support on the logic of sound systems now in place which identify our recurring needs in a realistic fashion.

As you review the results of fiscal year 1982, we think you can draw considerable satisfaction from the fact that your resources have been used wisely. We are on the way now toward building the best Army ever. With your continued interest and support, we can insure this momentum will continue.

"I AM A SOLDIER. I FIGHT WHERE I AM TOLD, AND I WIN WHERE I FIGHT."

GEN. GEORGE S. PATTON JR



HOW CAN CONGRESS HELP?
BY SUPPORTING

- COMMITMENT TO RESTORING PAY COMPARABILITY
- BONUS PROGRAM FOR RECRUITING AND REENLISTMENT (AC AND RC)
- SERVICE ORIENTED ADVERTISING/MARKETING PROGRAM
- MEDICAL/DENTAL CARE
- PROGRAMS TO SERVE FAMILIES
- DECENT PLACE TO LIVE AND WORK
- TRAVEL COSTS OF SOLDIERS/FAMILIES
- ADEQUATE EDUCATIONAL INCENTIVES

EXCELLENCE

- NATIONAL PURPOSE AND HERITAGE

BELONGING

- LEADERSHIP
- COHESIVENESS
- SUPPORT FOR FAMILIES (LINK FAMILIES WITH UNIT)

EXISTENCE

- PEOPLE .. RIGHT NUMBERS – RIGHT SKILLS – RIGHT QUANTITY
- THINGS FOOD – SHELTER – CLOTHING – MEDICAL CARE

CONTRACTING OUT

Senator JEPSEN. Do you support contracting out, General Thurman?

General THURMAN. Where it makes sense, sir. I think contracting out does make sense. The thing that I think is very helpful is that the Congress decreed this year not to remove the manpower until such time as the contracts have come to fruition.

Senator JEPSEN. I will come back to that. I certainly do want to take this opportunity to commend you for the tremendous recruiting job that you have been doing. If hard work is any measure of success in recruiting, you would have a AAA rating.

General THURMAN. Sir, we are just trying to keep up with our colleagues in the Navy and the Air Force.

Senator JEPSEN. You have been behind them for many years.

General THURMAN. Yes, sir.

Senator JEPSEN. Admiral Zech?

STATEMENT OF VICE ADM. LANDO W. ZECH, JR., USN, DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL, AND TRAINING

Admiral ZECH. Mr. Chairman, it is a pleasure to appear before you today in this, my third year, as the Chief of Naval Personnel. During those 3 years I have seen very many positive changes in our ability to man a combat-ready Navy in support of our national maritime strategy. With the help of this subcommittee, we have become increasingly successful at retaining and recruiting the officer and enlisted personnel necessary to correct our personnel shortages, while at the same time expanding to man the growing Navy. We sincerely appreciate the critical support of this subcommittee.

600-SHIP NAVY

Our objective is to man a 600-ship Navy with sufficient personnel possessing the proper skill mix. I am pleased with our progress in meeting this challenge. When you view the Navy's personnel situation today the picture is impressive. Steady progress has been made in overcoming the acute problems we had faced in the late 1970's and early 1980's. I am pleased to report that in fiscal year 1982 we retained enlisted personnel at higher levels than at any time during the past decade. Consequently, we are able to grow and to reduce our petty officer shortfall.

Our recruiting efforts were successful, both in quantity and quality, providing a solid base from which to draw our career force of the future.

The pride and professionalism of our force is impressive. Attrition, desertion, and unauthorized absentee rates have steadily decreased. More sailors are requesting to continue on sea duty and more are remaining on active duty beyond 20 years. The net result has been improved personnel readiness and therefore increased combat capability of our ships and aircraft squadrons.

RECRUITING AND RETENTION

The foundation of today's manpower strategy is continued successful recruiting and retention. If we are able to recruit the kind of people we need and then retain many of the best for our career force, we will be able to increase fleet readiness and man our growing Navy.

Even though manpower requirements increase, we intend to maintain our recruiting goal at a constant level of about 100,000. This will allow us to keep our training and recruiting costs relatively level. The future recruiting environment is dominated by two external factors, a declining 18- to 21-year-old manpower pool and, as the economy improves, increasing competition between military and civilian employers for both entry-level and experienced personnel. Although we see recruiting and retention in the years ahead as a significant challenge, we believe as long as a career in the Navy remains competitive with a civilian sector career and as long as we have the recruiting resources necessary to access the programed number of enlistees, then we will be able to properly man the fleet.

With the necessity to freeze military pay in 1984, we believe it is important to maintain the other positive aspects of our compensation system such as retirement, health care, educational opportunity, commissaries, exchanges, bonuses, and special pay and allowances.

Our personnel must have confidence in the stability of their military compensation and benefits. Our career people in particular, when making commitments to serve for a number of years in our military forces, should have confidence that the benefits—including and perhaps especially the retirement benefit, which were in effect when they entered into that commitment—will be maintained and certainly not reduced.

The men and women of our Navy today comprise a priceless asset. They are highly trained and highly skilled. Their morale is high. They are ready to meet the challenges which lie ahead. As the Navy grows to meet our worldwide maritime commitments and defense objectives, I am confident that we can continue to execute our plan to achieve its growth with sufficient personnel possessing the proper skill mix.

With the economy rebounding and in the face of a declining manpower pool from which to draw new recruits, it is imperative that we remain competitive in the manpower market. it is important that we retain the strong cadre which we have developed. We must sustain our recent momentum.

We in the Navy are committed to using our resources wisely. We are committed to working closely with the Congress to insure that or collective goals are achieved. With your support I am confident that we can continue to meet the challenges which lie ahead.

Thank you, Mr. Chairman.

[The prepared statement of Vice Adm. Lando Zech follows:]

PREPARED STATEMENT OF VICE ADM. LANDO W. ZECH, JR., DEPUTY CHIEF OF NAVAL OPERATIONS FOR MANPOWER, PERSONNEL, AND TRAINING AND CHIEF OF NAVAL PERSONNEL

Mr. Chairman and Members of the Subcommittee, I am honored to appear before you today. As the Chief of Naval Personnel for the past 3 years I have seen very positive changes in our ability to man a combat ready Navy in support of national maritime objectives. We have been increasingly successful at recruiting and retaining the officer and enlisted personnel necessary to correct our personnel shortages, while, at the same time, expanding to man the growing Navy. The strong support of this Committee has been a critical factor in these achievements.

Our objective is to man a 600-ship Navy with sufficient number of personnel possessing the proper skill mix. I am pleased with our progress in meeting that challenge. When you take a snapshot of the Navy's personnel situation today, the picture is impressive. Steady progress has been made in overcoming the acute problems we had faced in 1980. In fiscal year 1982 we retained enlisted personnel at higher levels than at any time during the past decade and consequently were able to reduce or petty officer shortfall. Our recruiting efforts were successful, both in quantity and quality, and this will provide a solid base from which to draw the career force of the future. The pride and professionalism of our force is impressive. Attrition, desertion, and unauthorized absentee rates have steadily decreased. More sailors are requesting to continue on sea duty and more are remaining beyond twenty years. The net result has been improved personnel readiness and therefore increased combat capability of our ships and aircraft squadrons.

The Navy proposes an active duty end strength increase of 11,900, an active duty Training and Administration of Reserves (TAR) end strength increase of 1,808, and a Selected Reserve increase of 11,400. This would increase Navy active duty end strength including TAR manpower, from 572,338 in fiscal year 1983 to 586,046 by end of fiscal year 1984, and the Selected Reserve from 93,790 to nearly 105,150. Civilian strength levels are planned to increase by about 3,300 between fiscal year 1983 and fiscal year 1984.

The foundation of our manpower strategy is continued successful retention. If we retain petty officers at the same rate that we are now retaining them, we will be able to increase fleet readiness and man our growing Navy. Successful retention is based in large part on comparability of pay as well as bonus programs and other benefits. Your demonstrated recognition of the importance of our service people and their sacrifices, and your continued support for compensation initiatives are vital to meeting our retention objectives.

Even with manpower requirements increasing, our strategy is based on maintaining our recruiting goal at a constant level of about 100,000. This will allow us to keep our training and recruiting costs relatively level. The future recruiting environment is dominated by two external factors, a declining 18-21 year old manpower pool and, as the economy improves, increasing competition between military and civilian employers for both entry level and experienced personnel. Although we see recruiting in the years ahead as a significant challenge we believe as long as a career in the Navy remains competitive with civilian sector careers and as long as we have the recruiting resources necessary to access the programmed number of enlistees, that we will be able to achieve recruiting success.

We recognize that the health of the economy, specifically the current rate of unemployment, is a factor in our present success. Accordingly, with the necessity to freeze military pay in 1984, we believe it is important to maintain the other positive aspects of our compensation system such as retirement health care, educational opportunity, commissaries, exchanges, bonuses and special pay and allowances. It is most important that our personnel have confidence in the stability of their military compensation and benefits. Our career people in particular, when making commitments to serve for a number of years in our military forces, should have confidence that the benefits to which they were entitled when they entered into the commitment will be maintained, and certainly will not be decreased.

Navy's fiscal year 1984 request is structured to support continued improvement in operational readiness and sustained growth in the officer and enlisted ranks to meet the needs of the 600 ship Navy.

I. END STRENGTH REQUEST

A. Active duty personnel strength levels

The fiscal year 1984 budget request increases Navy active duty manpower end strength by 13,708, to a total of approximately 586,046. This includes an active duty training and administration of the Reserves (TAR) end strength increase of 1,808 to nearly 14,000. The requested strength increase will man the new ships and squadrons in Navy's inventory, provide the foundation for future growth, and allow us to increase the manning level and personnel readiness of our existing force.

The number of ships in the Navy's Battle Forces will increase by 20 from 506 in fiscal year 1983 to 526 in fiscal year 1984. Among the new ships are nine guided missile frigates, one guided missile cruiser, to attack submarines, and one mobile logistic support ship. An increase of 5,600 out of 13,700 personnel in the active end strength growth are earmarked to man these new ships and to improve manning of other units.

There is a net increase of six naval aviation squadrons in fiscal year 1984 with the addition of five tactical air squadrons, all associated with the thirteenth air wing, and the addition of one helicopter combat support squadron. An increase of 800 personnel in the active end strength growth is directly associated with manning these new aviation squadrons and improved manning of existing units.

Strategic forces increase in strength by about 500 personnel in order to man the Trident submarine scheduled to be commissioned, and to support units under construction.

Requirements for increased training will be met by a 1,200 increase in staff and students programed for training.

Support personnel ashore will grow by 3,500 primarily to provide increased contingency medical readiness, to provide improved care for active duty personnel, and to increase support at Naval Reserve bases and air stations.

An increase of 300 personnel is programed for intelligence and communication facilities. The individuals account, less student and trainees, will grow by 1,800.

In summary, we are requesting a total active duty force growth of 13,700 personnel. Operating forces, including ships, aviation squadrons, and strategic units account for 50 percent of the increase. Medical, training, auxiliary and fleet support activities account for the remainder.

B. Reserve personnel strength levels

We are seeking a Selected Reserve end strength of 105,150 in fiscal year 1984. Included in this number are 650 personnel in our expanded Individual Mobilization Augmentee (IMA) program. Additionally, we are requesting an end strength of 13,846 Training and Administration of Reserve (TAR) personnel who are on active duty for full-time support of the Naval Reserve.

The increase in end strength of 11,400 Selected Reserve personnel will more closely match the requirements identified by the Navy Manpower Mobilization System (NAMMOS). The IMA program increase includes 300 personnel for medical programs to meet expanding requirements. The number of Reservists on full-time active duty in support of the Naval Reserve increases by 1,808, to 13,846. This increase is necessary for the continued expansion of the enlisted TAR program to support the FF-1052 and FFG-7 class ships being transferred to the Naval Reserve.

Non-prior service accessions into a new Sea and Air Mariner Program will be expanded from 2,008 to 10,000 to fill E-3 and below mobilization billets. Educational assistance and enlistment bonus programs will be used in this program as recruiting incentives in order to attract the necessary quality of recruit.

C. Civilian strength

The fiscal year 1984 civilian end-strength request of 312,660 represents a net increase of 3,262 over the fiscal year 1983 level of 309,398. The increase is in readiness-related functions such as supply center, Military Sealift ship manning, training, and Fleet activities.

Civilian manpower comprises a vital segment of the Navy's manpower resources. Over half of our civilians work in industrial funded activities which are primarily engaged in depot level maintenance and repair of ships, planes, missiles and associated equipment.

In addition, many of our civilians perform essential readiness support in supply centers, naval bases and air stations. The balance of our civilian work force are employed in such areas as training, medical, engineering, research and development and acquisition, all of which have a direct effect on readiness. We simply cannot build, operate, and maintain a 600-ship force without this essential civilian manpower support.

The Navy is strongly committed to economies and efficiencies which reduce manpower costs. Among our efforts are cost-effective contracting under the Commercial Activities (CA) program, where appropriate, and in-house efficiency reviews covering functions not included in CA. These programs are being actively pursued under applicable statutory and administrative guidelines. The fiscal year 1984 budget request complies with the direction of the Armed Services Conferees not to reflect anticipated contracting-out end-strength savings in advance, and all positions previously deleted in the budget for fiscal year 1983 and subsequent years have been restored.

II. MANPOWER, NAVY REQUEST

An MPN appropriation of $11,293,600,000 is requested to support 562,900 man years and 572,200 officer, enlisted and midshipmen end strength in fiscal year 1984. The chart on the following page reflects funds requested for all six budget activities, as well as the percent of each in the total program.

III. PERSONNEL READINESS

A. Overview

There has been an increase in the total number of personnel, however, serious shortages of mid-grade enlisted and officer personnel continue. To minimize the adverse impact of these shortages on combat readiness, we have given priority to the manning of strategic and battle forces at sea. In fiscal year 1982 personnel readiness improved as overall fleet manning climbed to 97 percent of billets authorized. Consequently, however, our support forces have shouldered an inordinate share of the shortages. As our manpower situation improves, we intend to steadily increase the manning of those support forces.

Manpower requirements increase as new ships and aircraft enter the active inventory. Our plan to achieve the increased end strength requirements is predicated primarily on retention of first term and career personnel at levels comparable to those achieved in fiscal year 1982, and a relatively level recruiting rate of about 100,000 per year including approximately 12,000 prior service enlisted veterans each year.

MILITARY PERSONNEL, NAVY DOLLARS BY BUDGET ACTIVITY

[Dollars in thousands]

Budget activity	Fiscal year 1983	Percent	Fiscal year 1984	Percent
Pay and allowances—officers	$2,471,887	23.2	$2,541,048	22.5
Pay and allowances—enlisted	6,944,520	65.1	7,299,124	64.6
Pay and allowances—midshipmen	33,797	.3	34,118	.3
Subsistence of enlisted personnel	666,823	6.2	707,397	6.3
Permanent change of station travel	540,131	5.1	651.700	5.8
Other military personnel costs	4,050	.1	60,213	.5
Total direct program	10,661,208	100.0	11,293,600	100.0
Reimbursables	95,000		94,400	

MILITARY PERSONNEL, NAVY DOLLARS BY BUDGET ACTIVITY—Continued

[Dollars in thousands]

Budget activity	Fiscal year 1983	Percent	Fiscal year 1984	Percent
Total financial program	10,756,208		11,388,000	

The skills in which we have shortages, our critical rates, tend to be most closely associated with the actual operation and maintenace of our ships and aircraft, or are highly technical in nature. These are the jobs with the most arduous working conditions, the longest periods of sea duty and family separation, or are the rates in which the individuals' education, Navy training, or experience are in the greatest demand by civilian employers.

As with the enlisted inventory, the officer inventory must expand to man new ships and aircraft. One problem which we addressed previously is the shortage of mid-grade surface, submarine, and aviation unrestricted line officers. The fiscal year 1981 and fiscal year 1982 improvements in compensation and quality of service life have helped to stem the outflow of junior and mid-grade officers. With your continued support we expect to recover from this mid-grade shortage in the next few years.

B. Recruiting

1. *Enlisted recruiting.*—This year will mark the tenth anniversary of the All Volunteer Force (AVF). I think that it is interesting to note that our military forces are now all truly voluntary and that, although not without imperfections, the AVF is working. Fiscal year 1982 was another successful recruiting year. We recruited 13,000 prior service veterans, increasing our attainment over fiscal year 1981 levels while simultaneously raising quality standards. Navy veterans, of whom 84 percent were petty officers available for immediate assignment to the Fleet, accounted for 77 percent of our prior service accessions. We recruited 71,423 non-prior service males and exceeded our goals in all of the quality categories.

The table on the following page summarizes our recruiting performance in terms of quality and quantity from fiscal year 1975 through the present.

During last year's testimony, I expressed my concern over the relatively small size of our Delayed Entry Pool (DEP) and described how we intended to correct this difficulty. Our plan called for establishing recruiting resources at a level which would permit us to meet our annual accession goals while increasig the DEP size to approximately half of the expected annual accession goal. I am pleased to report considerable progress during this past year. Achievement of the DEP objective will allow more selective recruiting and thereby improve accession quality. Improved recruit quality will reduce attrition and associated replacement and training costs.

1-NAVY ENLISTED RECRUITING

[By fiscal year]

	1975	1976	1977	1978	1979	1980[1]	1981	1982	1983TD (Jan.)
Quantative results:									
Goal	112,130	103,325	116,314	94,735	93,390	99,299	106,238	94,793	30,565
Attained	113,027	103,587	111,557	89,009	88,345	99,351	106,322	94,793	30,721
Percent attained	100.8	100.3	95.9	94.0	94.6	100.1	100.1	100.0	100.5
Qualitative results: [2]									
HSG [3]	74.8	84.1	79.6	83.3	84.0	83.6	87.3	89.9	92.5
HSDG	70.4	76.5	72.6	77.1	77.4	74.8	75.8	78.7	83.9
MGI–IIIU [4]	68.0	74.60	72.2	74.6	71.9	75.6	64.5	65.8	69.5

[1] Revised recruiting policy implemented. Nonprior service male accession to be 74 percent mental group I, II, and IIIU vice 76 percent HSDG.

[2] Qualitative results are percents of nonprior service active duty accessions.

[3] High school graduates (HSG) include diploma graduates (HSDG) and those personnel who validate a high school education as a result of testing or have completed an accredited home study course.

[4] Fiscal year 1981 and later figures reflect renormed ASVAB data.

The lagging economy, coupled with an 8,000 accession goal reduction, actually produced a higher than anticipated DEP growth, which somewhat masked the longer range effects of the fiscal year 1982 $11 million recruiting budget reduction.

In fiscal year 1983 the Recruiting Command must absorb an even larger budget reduction than in fiscal year 1982, without a planned increase in recruiters. Recent history provides a comparison against which to assess the potential impact of these funding reductions. Following successful recruiting years, Congress reduced the fiscal year 1976 recruiting budget and recruiting force. Navy made its goal in fiscal year 1976 but failed in each of the next three years as the economy improved. Although resources were restored in fiscal year 1979, it took over a year to select, train, and put new recruiters in place. Recruiting success was then achieved in fiscal year 1980, 1981 and 1982. In fiscal year 1982 and 1983 the resource reductions have necessitated major cuts in advertising and other Navy awareness programs traditionally considered long-lead investments. For example, there has been no Navy unique national television advertising since early 1982 and there will be none through at least 1984. Because of the high unemployment rate and the compensation improvements in recent years we should attain our accession goals in fiscal year 1983. However, improved economic conditions coupled with a lag time of about 18 months needed to restore awareness levels in the manpower market and to build the recruiting force to peak effectiveness portends a severe challenge to our recruiting efforts and causes us concern for the future.

2. *Officer recruiting.*—Navy achieved 100 percent of the total officer recruiting goal (4,578) in fiscal year 1982. The following table reflects major officer program attainment.

FISCAL YEAR 1982 OFFICER PROGRAM ACCESSIONS

	Goal	Attain	Percent
Surface warfare officer	911	981	107.7
Nuclear propulsion officer candidate	280	204	72.8
Aviation officer candidate	795	815	102.5
Nuclear power/instructor	61	48	78.7
Naval flight officer candidate	315	332	105.4
Supply officer	358	357	99.7
General unrestricted line	298	298	100.0
Civil Engineer Corps	83	85	102.4
Physicians	146	136	93.1
Nurses	250	250	100.0

Navy again experienced a shortfall of Nuclear Propulsion Officer Candidates (NUPOC) in fiscal year 1982. However, the 204 NUPOC accessions represented a 62 percent improvement over fiscal year 1981 and our best NUPOC recruiting year to date. In addition, we entered fiscal year 1983 in a stronger recruiting position than in any previous year, with 93 percent of our NUPOC recruiting goal already achieved. This dramatic turnaround in NUPOC recruiting has been achieved through commitment of additional recruiters, and implementation of new incentives such as the Exceptional Student Program. Assuming we are able to build upon our current success we expect to meet the increasing manpower requirements of an increasing number of nuclear powered surface ships and submarines.

An area of considerable concern is physician recruiting. Although more physicians were recruited in fiscal year 1982 than in fiscal year 1981, the 95 percent increase in requirements in fiscal year 1982 was not achieved. The fiscal year 1983 goal increases by an additional 39 percent over fiscal year 1982 and we will have difficulty meeting this goal. The specific skills needed, notably surgeons, have historically been the most competitive in the market place, and therefore, the most difficult to recruit.

C. Retention

1. *General.*—Fiscal year 1982 proved to be the best year for Navy retention, both officer and enlisted, since fiscal year 1974. The upward trend in retention which started in fiscal year 1980, has allowed us to make significant inroads on the midgrade petty officer shortfalls previously reported to this committee. The progress is particularly impressive when viewed in the context of a Navy growth in overall manpower strength. In fiscal year 1982 the 22,000 petty officer shortfall reported to you last year was reduced to 17,400 against a petty officer requirement increase of 8,000. We are projecting a further reduction of the petty officer shortfall to 11,700 by the end of fiscal year 1983 and to 9,200 by the end of fiscal year 1984, while si-

multaneously meeting the increased petty officer requirements of our growing Navy.

Significant shortages in petty officer and mid-grade officer expertise still exist however, and these shortages require continued full use of those programs which yielded the excellent results of the past few years. The lagging economy and poor job market are helping us to meet our retention goals. Recognizing that this will not always be the case, Congressional support is needed to ensure that a Navy career remains competitive with comparable careers in the private sector.

2. *Enlisted retention.*—Enlisted retention rates are among the highest in the last decade, particularly for first term personnel, who were retained at a rate of 50.3 percent which exceeded our goal of 47 percent. While substantial gains were realized in career force retention, both second and third term rates fell slightly short of desired goals. The fiscal year 1982 second term rate was 63 percent versus a fiscal year 1982 goal of 67 percent. Retention for third term and beyond was 95.3 percent versus a goal of 98 percent.

As shown below, fiscal year 1982 retention surpassed the experience of recent years in all categories.

[In percent, by fiscal year]

	1979	1980	1981	1982
First reenlistment (4-6 yrs)	37.5	36.7	41.7	50.3
Second reenlistment (8-10 yrs)	45.3	50.5	56.9	63.0
Third reenlistment and beyond (+10 yrs)	91.4	91.6	94.1	95.3

A vital element in our enlisted retention effort is the Selective Reenlistment Bonus (SRB) program. This program permits us to target personnel having the skills which historically have been the most difficult to retain as reflected in serious manning shortfalls and which have extreme sensitivity to civilian employment opportunities. Many skills in fields such as nuclear power, electronics, computers, avionics, and machinery repair are in considerable demand in the civilian job market, even in today's austere employment climate.

The SRB budget request of $275.5 million is sized to achieve the retention levels required to man our fleet now and in the future. The $57.2 million growth in the fiscal year 1984 SRB program over fiscal year 1983 reflects an increase of $54.5 million in anniversary payments and $2.7 million for new SRB payments. The increase in funding for new payments is necessary to attract over 4,000 more skilled personnel who will reach the end of their active duty obligation in fiscal year 1984 than will in fiscal year 1983.

3. *Officer retention.*—Fiscal year 1982 was also a successful year for officer retention, particularly in the Unrestricted Line officer communities. The table below depicts retention rates for Unrestricted Line junior officers in the Surface Warfare, Aviation, Submarine, and General Unrestricted Line communities for recent years, and projected rates for fiscal year 1983.

[In percent, by fiscal year]

	1980	1981	1982	1983 projection
Surface warfare	39	42	43	45
Aviation (pilot)	30	42	49	57
Aviation (NFO)	71	65	73	73
Nuclear submarine	36	33	39	42
General unrestricted line	(1)	46	44	54

[1] Not available.

Pilot retention, which bottomed out at 30 percent in fiscal year 1980, increased to 42 percent in fiscal year 1981 and 49 percent in fiscal year 1982. This steady rise has reduced the aviation mid-grade shortfall to 865 pilots. Along with the increase in pilot retention there has been a 41 percent decrease in resignations submitted. We attribute this turnaround to compensation increases, particularly the Aviation Officer Continuation Pay (AOCP). A decrease in demand for pilots from the public sector has also been a factor.

Nuclear trained naval officers continue to be the primary source of trained personnel for the civilian nuclear power industry. Navy has been able to retain nuclear trained officers through compensation incentives and improvement in sea/shore rotation. During fiscal year 1982 the nuclear trained submarine officer shortfall was reduced by 8 percent even though requirements increased as new submarines were added to the force.

Surface warfare community retention increased by 1 percent during fiscal year 1982, reducing the shortfall of junior officers to just over 400. Sea pay and improved sea/shore rotation have been key elements in stabilizing retention within this community.

In the aggregate, retention for the three primary warfare communities increased by 4.5 percent during fiscal year 1982. We must maintain this momentum. As manning improves, sea tours can be shortened. For example, nuclear submariners can now expect 14 rather than 15, of their first 20 years to be spent at sea. Such a reduction reduces family separation, the number one reason that officers cite for leaving the Navy. We have reversed the downward trend in officer retention, but the problem is not yet fully solved. Again with your support we will achieve our goals.

D. Attrition and desertion

In fiscal year 1982 we experienced 11.7 percent first term attrition compared to 10.4 percent in fiscal year 1981. However, this increase is attributed to Project Upgrade 82 which discharged 4,958 sailors who could not meet minimum professional growth standards. If Project Upgrade 82 dischargees are excluded from fiscal year 1982 statistics, first term attrition was 9.6 percent. Another factor that contributed to the increase was the Navy's "Get Tough" policy on substance abuse. During fiscal year 1982, there were 2,331 individuals discharged due to alcohol/drug abuse compared to 585 the preceding year.

The desertion rate in fiscal year 1982 (18.0 incidents per 1000) was the lowest in the Navy since fiscal year 1973. This rate represents a 17.4 percent decrease from fiscal year 1981 (21.8 incidents per 1000).

E. Women in the Navy

Fiscal year 1982 was a very successful year for our program to assimilate women into the Navy. We met our recruiting goal in both number and educational background. Retention of women in the Navy also improved. These accomplishments reflect expanding opportunities for women to enter and advance, and the large number of career paths open to them. During fiscal year 1982, the first women were selected for assignment to the Navy's Test Pilot School. The number of women assigned to ships continued to increase and women were permanently assigned for the first time to Diego Garcia.

During fiscal year 1982 enlisted end strength rose from 34,348 to 37,024, an increase of 2,676 women. Our plan to increase women enlisted end strength to 45,000 by the end of fiscal year 1985 is reflected in the table below. Our projections show that we can provide a viable career path and upward mobility for 45,000 enlisted women without an adverse impact on sea/shore rotation. In order to reach the 45,000 level, at least 31 percent of the enlisted women must be working in non-traditional skills.

At the end of fiscal year 1982, 23.7 percent of all enlisted women were in non-traditional skills. While we continue to project reaching the 45,000 goal in fiscal year 1985, our efforts are now focused on increasing the number of women in non-traditional skills.

ENLISTED WOMEN'S END STRENGTH

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
End strength	29,806	34,348	37,024	40,965	42,744	45,000
Percent of Active Enlisted Force	6.5	7.3	7.7	8.2	8.4	8.6

The number of women officers increased by 395 in fiscal year 1982 from 5,345 to 5,740. As a percentage of the total officer corps, women increased from 8.1 percent to 8.5 percent. This percentage will increase to 8.8 percent by fiscal year 1985.

WOMEN OFFICER END STRENGTH

	Fiscal year—					
	1980	1981	1982	1983	1984	1985
End strength	4,877	5,345	5,740	5,946	6,232	6,400
Percent of all officers	7.7	8.1	8.5	8.5	8.6	8.8

Except for the Nurse Corps, the number of women in all officer communities increased. The major portion of the expansion occurred in the General Unrestricted Line which had an increase of 211 officers. Growth also was evident in the surface and aviation warfare communities (Surface Warfare increased by 15 women, Aviation Warfare by 23 pilots and 15 Naval Flight Officers).

At the end of fiscal year 1982, 187 women officers were aboard 30 ships and 2,294 enlisted women were aboard 22 of those same ships. This was an increase over fiscal year 1981 of 37 women and one ship for the officers and 836 women and five ships for enlisted women. In addition to the 98 unrestricted line Surface Warfare and Special Operations officers serving in ships, 89 restricted line and staff corps women officers were assigned to sea duty as follows: 15 doctors, 10 dentists, 2 Medical Service Corps officers, 3 chaplains 8 geophysicists, 9 Engineering Duty officers, 31 Supply Corps officers, 4 lawyers (JAG Corps), 3 limited duty officers and 4 warrant officers. Enlisted women have been assigned to the full spectrum of occupations found on noncombatant ships. A yearly breakdown follows.

IV. TRAINING AND EDUCATION

Proper training is critical to fleet combat readiness. Naval training falls into two broad categories, individual training and fleet training. Individual training concentrates on providing a specific skill or professional competence. Fleet training entails team training, unit training, and fleet exercises. Navy's requirement to train enough personnel with the requisite skills to man a 600 ship force will be attained without any dramatic increase in the size of our training establishment provided we achieve our retention goals over the next five years. This retention oriented approach to manning the 600 ship Navy has the advantage of being cost effective; we capitalize on the training we have already accomplished and, at the same time, the experience level of our force increases.

WOMEN ASSIGNED TO SHIPS COMPANY (NONCOMBATANT)

	Fiscal year—						
	1979	1980	1981	1982	1983 [1]	1984 [1]	1985 [1]
Officer:							
Ships	14	27	29	30	31	31	32
Assigned	53	120	150	187	200	200	200
Enlisted:							
Ships	5	10	17	22	27	27	27
Assigned	357	894	1,458	2,294	3,282	4,079	5,000

[1] Planned.

A. Training

Significant improvement in the efficiency of our enlisted training program has been made. Between January 1981 and June 1982 the backlog of enlisted personnel awaiting initial skill training was reduced from 6,122 to 2,950, which is the nominal level at which we have the required bank of students to meet class convening dates. This reduction was a result of management action to increase the training command's capacity and streamline training pipelines. One significant step toward creater capacity was to increase the manning of the training command to 99 percent of billets authorized.

To overcome the lack of military instructors due to the shortage of experienced petty officers, a plan for utilizing contract instructors was developed by the Chief of Naval Education and Training. We now use contract instructors to conduct specialized skill training in Basic Electronics and Electricity Course at Great Lakes, IL, Millington, TN, Meridian, MS, and San Diego, CA and are expanding the program to include the Service School Command at Orlando, FL.

B. Education

Naval personnel view the ability to increase their education level through independent study as one of the most valuable benefits of military service. Consequently, we place great emphasis on education programs of this nature. Over 106,000 active duty personnel pursued a wide range of educational goals in 1982.

The fastest growing component of the program was in functional skills. In fiscal year 1982, 27,383 sailors enrolled in reading, mathematical computation, and English grammar/composition courses. The classes, taught during normal working hours, have command support because of the direct benefit derived from improving basic educational skills.

Participation in the Program for Afloat College Education (PACE) showed a slight reduction, as for the first time since it began, servicemembers were required to partially defray the cost of instruction. PACE was restored to a fully funded status with the support of Congress, and it is anticipated enrollment will increase as a result.

The Tuition Assistance program experienced unprecedented demand in 1982 with the majority of available funds being obligated in the first half of the year. We have increased funding to $10.977 million in fiscal year 1983 in order to take full advantage of the interest in this program. In fiscal year 1984 we are requesting $13.39 million for this program.

V. PERSONNEL DEVELOPMENT PROGRAMS

A. Quality of life

Improvement in Quality of Life of Naval personnel focuses on increasing support for a growing number of married members, improving Morale, Welfare and Recreation (MWR) programs, and providing adequate living accommodations for our officers and sailors.

Since 1960, the percentage of married personnel on active duty has grown from 30 percent to 55 percent, with over 80 percent of our careerists being married. The Family Support program, established in 1979, is intended to meet the unique needs of the Navy family. The program will be carried out through 62 Navy Family Service Centers (FSCs). Thirty-eight FSCs will be in operation by the end of fiscal year 1983 with twenty scheduled for start-up in fiscal year 1984 and four in fiscal year 1985. When the network is completed, 85 percent of active duty Navy personnel will have access to the services of a FSC.

The FSC's mission of personnel and operational support is fulfilled through eleven basic functions, which include information and referral, short-term counseling, providing a focal point for local Family Advocacy programs, aid to deploying units, and assistance to commands in all family-related efforts. The reaction to this program by service families has been highly enthusiastic.

We are continuing to emphasize a Morale, Welfare and Recreation program that provides an improved environment for morale and discipline, particularly for enlisted members and their families. Recreational programs contribute significantly to military effectiveness by promoting and maintaining the mental and physical well being of personnel. Vigorous physical fitness programs and recreation are tangible alternatives to drug and alcohol abuse. Support of MWR programs in fiscal year 1984 will be applied to recreational services programs to upgrade facilities, equipment and programs with priority being given to overseas and remote locations, and to shipboard activities.

There is a large shortage of adequate quarters for Navy unaccompanied personnel particularly in the junior enlisted ranks. Reduction of this shortage, which is estimated to be about 60,000 spaces, is a major Navy goal. The fiscal year 1984 budget request includes projects for the construction of new quarters, the modernization of older facilities, and the preliminary design work, for future projects. This request ($96.6 million) will furnish us with approximately 5,500 new spaces. Our request is more than twice that of the fiscal year 1983 program and is significantly higher than fiscal year 1976—1980 funding levels which average only $25 million per year and yielded as few as 900 new spaces.

B. Substance abuse programs

We have gone to "General Quarters" in an effort to combat the threat alcohol and drug abuse pose to our personnel. Navy Substance Abuse programs, including "Health and Physicial Readiness" and "Alcohol and Drug Abuse Control", are designed to improve the pride and professionalism of the Naval service. Our basic policy is "zero tolerance" because we believe substance abuse is incompatable with the maintenance of high standards of performance, military discipline, and combat readiness. The major thrust of Navy's approach to substance abuse is enhanced detection and deterrence at all levels. Additionally, the Health and Physical Readiness program, which is primarily designated to improve the health and fitness of members, complements and alcohol and drug abuse education and rehabilitation programs by providing a constructive alternative to abuse.

Our progress in these programs has been impressive. A 1982 Random Urinalysis Survey in San Diego and Norfolk indicated that our efforts against drug abuse have been successful. Highlights of this report are:

A marked decline in marihuana abuse among the junior enlisted (E1 to E5) population (21.8 percent projected to be users in 1982 compared with 48.3 percent projected to be users in 1980).

Drug usage other than marijuana was termed "insignificant" (although cocaine usage in San Diego is still of concern to us—1.7 percent projected to be users in 1982 compared with 2.6 percent projected to be users in 1980).

Drug usage by junior officers was described as "virtually nonexistent".

In addition to in-house efforts to counter abuse, Navy has worked closely with the Congress, the Office of Secretary of Defense, our sister services, and other government agencies and departments to support several major initiatives regarding drug and alcohol abuse. These initiatives include:

Changes to U.S. Postal Regulations to provide commanding officers the authority to inspect or search mail for contraband while underway and in most overseas ashore locations.

Drug interdiction operations, as part of the Vice President's South Florida Task Force.

National DWI Campaign to reduce deaths, injury, and property loss caused by drivers under the influence of alcohol or drugs.

Alcohol and drug abuse remain a major health problem in the Navy. The program for assisting and, when necessary, discharging alcohol and drug abusers has been successful and our commitment of the necessary resources to keep this health problem under control will continue.

C. Human resources management support system (HRM)

As the Navy grows, we are seeking commensurate improvements in individual leadership and management techniques and in command effectiveness. Two programs exist to better integrate organizational and human resource policies and procedures. One is the Leadership and Management Education and Training (LMET) program which focuses on developing individual management competence. The other is the network of Human Resource Management Centers which advice commanding officers regarding personnel effectiveness matters.

1. *Leadership and management educational training (LMET).*—LMET is the Navy's standardized training program to teach basic, job-relevant leadership and management skills to officers and petty officers. Since the inception of LMET four years ago, over 74,000 Navy men and women have received training. This number is mostly composed of E5 through O6 personnel enroute to fleet billets. During the past year, LMET course versions have also been implemented for instructors and company officers at the Naval Academy, Officer Candidate School, and NROTC units. LMET'S effectiveness is exemplified by a recent study which found that Recruit Company Commanders who had completed LMET mastered their jobs in approximately one-third the time of the non-graduate, and had fewer adjustment problems. We intended to send all future Recruit Company Commanders to this school beginning in the summer of 1983.

2. *Human resources management centers.*—There are fourteen Human Resource Management Centers world-wide which provide ships, squadrons, and shore commands with assistance in improving organizational effectiveness and human resource utilization. Over the past year a comprehensive review of the HRMC system was conducted. Based on this review, plans are underway to upgrade the centers to provide, on request, consultant assistance to commanders at all levels of the Navy's organizational structure.

D. Equal opportunity

Implementation of the Navy's Equal Opportunity program is one of the primary responsibilities of naval commanders. By providing an environment devoid of artificial barriers based on race, color, national origin, sex, or religion, we are able to take advantage of the contribution of each man and woman in the Navy.

Efforts to improve equal opportunity have begun to pay significant dividends particularly in the areas of recruitment and retention of minority personnel. In the enlisted grades, we have increased the number of blacks to slightly more than the national average of 12 percent. We are still below the goals for Hispanics and other minorities but are making progress. Shortfalls persist in the area of minority officer accessions and we are putting additional recruiting resources into minority officer recruitment. As of September 30, 1982, there were more than 1,933 black and 587 Hispanic officers on active duty. The retention rate for black officers is 65 percent, as compared with the overall Navy rate of 57 percent. Over 89 percent of black and 79 percent of Hispanic career enlisted personnel are being retained, as compared to slightly over 77 percent of their non-minority contemporaries.

VI. FISCAL YEAR 1984 LEGISLATIVE INITIATIVES

The military personnel legislation enacted by the 96th and 97th Congress enabled us to compete successfully with civilian employers for the personnel needed to man the Navy. Our ability to meet future manpower requirements depends on maintaining this competitive position vis-a-vis alternative career opportunities. In the long term this entails maintaining pay at competitive levels; providing periodic adjustments to special and incentive pays to guard against erosion by inflation, and, providing sufficient travel reimbursements for government directed relocations. The following paragraphs discuss the legislative initiatives which are of near term interest.

A. *Enlistment and reenlistment bonuses.* The authority to pay enlistment and reenlistment bonuses expires on March 31, 1983. Your support for extension of this authority through fiscal year 1983 and fiscal year 1984 is essential.

B. *Aviation officer continuation pay (AOCP).* AOCP has proved to be an extraordinarily cost effective means of alleviating the mid-grade aviation officer shortfall. In addition, the retention of experienced aviators has paid major safety dividends. It will take several years of high retention before our aviation officer deficit is erased. Accordingly, reauthorization of the AOCP program is most strongly requested.

C. *Basic pay adjustment mechanism.* The retention performance I spoke of earlier was made possible in large measure by the return in fiscal year 1982 of military pay to rough comparability with the private sector. We now have the opportunity to sever the link between military pay raises and federal white collar workers, and establish a direct link to average wage growth in the country. Adoption of the Employment Cost Index (ECI), a national indicator of private sector wage growth, will add a much needed element of stability to our compensation system as well as provide equitable, acceptable treatment to both taxpayers and military members. The President's Military Task Force has endorsed the linkage of military pay adjustments with the change in ECI.

D. *Quarters reimbursement during overhaul.* Authority to reimburse members for quarters when their ship is uninhabitable during overhaul and no government quarters are available was initially provided on 1 October 1980 and subsequently extended until 30 September 1982. Although the extent to which this authority is used has decreased with the increase in berthing barge spaces and will decrease further in the future, there will always be a need to reimburse personnel at overhaul sites where no government quarters or berthing barges are available. To provide for this requirement, Navy strongly urges that this program be reauthorized and made permanent.

E. *Nuclear officer program scholarships.* To increase our ability to attract enough candidates into the nuclear officer programs, we are proposing a two-year college scholarship program for civilian students and a four-year college scholarship program for top performing junior enlisted personnel. The two year program, for students with a minimum grade point average of 3.3, will fund tuition, books and fees in both junior and senior year in return for agreement to enter the nuclear power program upon graduation.The four-year program will provide tuition, books and fees in addition to active duty pay and allowances for enlisted personnel who agree to enter the nuclear program upon graduation. We estimate the four-year program will provide at least 75 additional nuclear officer accessions per year by fiscal year 1987, and the two-year program should provide 80 additional accessions per year beginning fiscal year 1985.

F. *Career sea pay.* Career sea pay is currently paid to cover 98,000 enlisted and 7,000 officers. This program provides well deserved compensation for undergoing the arduous conditions and long working hours associated with sea duty. The level of sea pay received reflects the years an individual has on sea duty. Currently the maximum level is reached at 12 years of sea duty. In order to encourage our most experienced personnel to remain on sea duty. the Navy is developing legislation to increase the amount of sea pay to members with over 12 years of sea duty.

G. *Funded travel during overhaul.* The Navy is proposing changes to an existing program which funds travel to homeport for members to visit their families when their ship is in overhaul away from homeport. The program now covers overhaul periods of up to 6 months. Because many overhauls exceed six months, our proposed change will fund travel throughout the overhaul in order to bring the program more in line with its original intent which was to alleviate the hardship of forced separation faced by our sailors.

H. *G.I. bill termination date.* The Navy is losing experienced sailors because they leave active duty in order to use their G.I. bill benefits. Over 197,000 Navy members currently on active duty are eligible for G.I. bill educational benefits. There are 120,000 members in the critical retention window of six to fourteen years of service. The fact that these individuals will lose their benefits by remaining on active duty is not only detrimental to the retention program, but also unduly penalizes them for continuing to serve their country in a military career. It is most strongly recommended that the December 31, 1989 G.I. bill termination date be extended to provide a servicemember up to 10 years, after discharge or release from active duty, in which to use the G.I. bill benefits.

I. *DOPMA grade relief.* The Lieutenant Commander and Commander grade tables contained in the DOPMA legislation were based on inventories achievable under poor officer continuation rates and do not provide for the requirements of an expanding Navy. Consequently, a proposal to increase the O4 and O5 ceilings to the approximately level of programed authorizations has been submitted to OSD for inclusion in DOPMA Substantive Change Legislation.

J. *Comprehensive flag and general officer legislation.* The OSD submitted Comprehensive Flag and General Officer legislation provides a uniform basis in law for the control of flag and general officer strengths. Your timely consideration of this important legislation is requested.

VII. CIVILIAN ISSUES

A. Overview

Our 312,660 Navy civilian employees are an essential component of our commitment to improve readiness. They overhaul our ships, maintain our aircraft and ordnance, provide supplies to the fleet, and perform vital support services at our bases and air stations. They are doctors, nurses, engineers, scientists, logisticians and procurement specialists involved in research and development, design, procurement and maintenance of our ships, aircraft and weapon systems. Without these personnel we will not be able to build, operate, and maintain the 600-ship Navy.

B. End-strength changes

The budget end strength request for Navy civilians is as follows:

Total Navy civilian end strength

Fiscal year 1982	298,873
Fiscal year 1983	309,398
Fiscal year 1984	312,660
Fiscal years 1983–84 change	+3,262

The net increase of 3,262 positions in fiscal year 1984 is in direct readiness related functions, as noted below:

Fiscal years 1983–84 civilian end strength changes

Fiscal year 1983	309,398
Central Supply	+959
Military Sealift	+446
Fleet Programs	+597
Other	+1,260
Fiscal year 1984	312,660

Central supply staffing increases will result in improved inventory management and more responsive, timely, and efficient provisions of supplies to the fleet. Military sealift increases provide for additional civilian mariners to man an expanded Military Sealift Command fleet of support ships, as well as for essential management and support of this expanded fleet. Fleet operating bases and stations will also receive additional civilians to enhance their ability to maintain a high level of fleet operational readiness. These increases represent a continuation and expansion of the readiness improvements begun in fiscal year 1981 which have resulted in a significant reduction in the backlog of ship overhaul deferrals, improved aircraft maintenance, a more responsive supply system, and an expanded, civilian-manned fleet of military sealift support ships. Other increases include staffing for the supervisors or shipbuilding, ordnance industrial facilities, and facilities administration/construction oversight.

C. Economies and efficiencies

The Navy remains strongly committed to achievement of economies and efficiencies which reduce the costs of meeting our readiness needs. In regard to cost effective contracting under the Commercial Activities (CA) programs, during fiscal year 1982 the Navy studied about 5,900 military and civilian positions. Approximately 2,300 positions were found to be more cost-effective under contractor performance, at an estimated annual savings of about $15.9 million. In compliance with the fiscal year 1983 Defense Authorization Act, the Navy has halted conversions of security guard and firefighter positions and is observing the 6-month moratorium on starting cost studies on other positions. I believe that we will be able to show that there are adequate safeguards and review and appeal procedures in the OMB Circular A-76 process, and that the current legislative restrictions should be allowed to expire. I would also note that our budget reflects full compliance with the direction of the Armed Services Conferees not to reflect anticipated contracting-out end strength savings in advance. All positions previously deleted for fiscal year 1983 and subsequent years have been restored in our budgeted civilian end strength estimates.

In addition to reviewing contracting potential, the Navy has initiated an organizational efficiency review of the in-house functions that are exempt from the CA program reviews. They will be analyzed to develop performance work statements and more efficient organizations. We expect this to save at least 500 positions by the end of fiscal year 1984, and these end strength savings are reflected in the budget. You may be assured that the Navy will aggressively pursue methods of reducing costs under these programs in compliance with congressional and administration guidelines.

D. Industrial fund ceiling exemption

Under Section 788 of the fiscal year 1983 Defense Appropriations Act, we are taking part in a 1-year experiment in which the Department of Defense will operate without civilian ceilings in industrial fund activities. This will provide additional flexibility in adjusting work force levels to accommodate workload changes that occur in budget execution. While there will be no ceilings on these activities in fiscal year 1983, we will be monitoring employment closely against budgeted phasing plans to make sure that programs are implemented in accordance with the budget plan reviewed and approved by OSD, OMB and Congress. Guidance has been issued within the Navy emphasizing the need to stay within budgeted costs, and I am confident that we will manage responsibly and prudently under this experiment.

VIII. NAVAL RESERVE

As the Navy grows to man the 600-ship force, the Naval Reserve is programed to expand toward our mobilization requirement of 124,000 by fiscal year 1987. This growth will support the planned changes in active duty force structure over the next five years with the emphasis on utilizing reserve forces to the maximum extent possible. In fiscal year 1982 we met our manpower authorization of 94,000 and we anticipate meeting our requested end strength in fiscal years 1983 and 1984.

We are currently using an affiliation bonus and reenlistment bonuses as incentives to attract and retain personnel in the Navy Reserve. The Selected Reserve affiliation bonus pays $25 per month to those personnel coming off active duty who agree to affiliate with the Selected Reserve. The reenlistment bonus provides $1800 for a 6-year reenlistment and $900 for a 3-year enlistment in the Selected Reserve. We are also planning to use an educational assistance and enlistment bonus package to attract high quality non-prior service personnel.

In order to fill out the full range of rates and ratings we need in the expanding Selective Reserve force, we plan to implement a new Sea/Air Mariner program. This program will enable us to recruit junior enlisted personnel E-3, and below, into the reserve force in order to fill mobilization requirements. We have high expectations for the Sea/Air Mariner program and are confident that we will be able to attract the numbers and quality of recruits we need to man the reserve force.

Increases in Naval Reserve training are consistent with our goal to improve the readiness of the Naval Reserve. Weekend Away Training (WET), the heart of the surface Reserve training, is being increased, along with an increase in special training to accommodate increased growth and transfers of new equipment. An increase in training for non-prior service accessions reflects the planned growth of the Sea/Ai Mariner program.

The Training and Administration of Reserve (TAR) program is being enlarged in recognition of the expanding role the Reserves are playing in our growth to a 600-ship force. The TAR enlisted program was recently expanded to include nine additional skill areas. This will enable the TARS to better man the Naval Reserve ships and related maintenance activities. The Enlisted TAR program will increase by 549 billets in fiscal year 1983, and we are planning a 1,591 billet increase in fiscal year 1984. This increased manpower will be used to support the six FF-1052 Class frigates, which will be in the Naval Reserve Force by the end of 1983, and the three FFG-7 Class frigates, which will be entering in 1984. We have transferred funding for the TAR program from the Military Personnel, Navy to the Reserve Personnel, Navy appropriations as previously directed.

The Naval Reserve has provided the active force with a significant number of trained personnel during this past year. The Reserve Officer Recall progam resulted in 220 officers coming back on active duty to fill existing billet requirements. The Training and Administration of Reserves (TAR) program brought in 101 new officers in fiscal year 1982 and there are 34 officers on active duty under the 265 program for full time support of the Naval Reserve.

The enlisted reserve programs have been equally supportive of the active force. The NAVET program to recall prior service personnel to active duty brought approximately 5,000 prior Navy personnel back into the active ranks. Our Voluntary Recall program, which is designed to bring SELRES personnel in critical sea shortage ratings back on duty, resulted in 1,389 trained petty officers returning to the fleet. A further effort to fill our critical manpower shortages at sea has been made under the Fleet Reserve Recall program, which yielded 312 additional trained personnel for the fleet.

The Short Term Recall program, which most recently provided 26 petty officers to fill manning deficiencies onboard USS HECTOR for the period of her deployment, will be expanded. We have initiated planning for two additional Short Term Recall Programs on each coast. Collectively, these initiatives represent substantial growth in the Naval Reserve. They provide the increase essential to improving readiness and meeting mobilization objectives.

Part of our program to restore maritime superiority includes the reactivation of our IOWA-class battleships. We are manning these battleships with Reservists and retired personnel to the fullest extent possible. This reduces the extent to which we draw people from elsewhere in the fleet. Some 3,900 members of the Selected Reserve, Fleet Reserve, and Retired community have already applied for billets in USS *Iowa* (BB-61), which is scheduled for recommissioning in June 1984. There are 42 Naval Reserve personnel who returned to active duty from the Ready Reserve to serve board USS *New Jersey.* Another 57 active duty personnel who had requested transfer to the Fleet Reserve cancelled their requests in order to serve of USS *New Jersey.*

IX. MANAGEMENT INFORMATION SYSTEM

The relationship between timely, accurate information and the accomplishment of manpower, personnel and training functional objectives has long been recognized. The ability to provide an enhanced level of support needed to meet future demands in on the horizon. Technological advances in ADP and communications, coupled with the recognition of data as a valuable corporate resource, will enable us to give managers rapid access to the information they need.

We are currently operating in a primarily centralized ADP environment with many obsolete, non-standard automated information systems. Consequently, our emphasis has been on decentralizing and distributing the data processing capability with standard, integrable systems. This strategy increases system responsiveness, is cost-effective, and affords flexibility to both the user and the provider of information.

We are currently working on two Navy-wide systems—Source Data System (SDS) and Navy Civilian Personnel Data Systems (NCPDS). These distributed systems will be used to collect, process, and provide management information on military and civilian personnel. Another system, the War Gaming System, will play a major role in the training of personnel at the Naval War College and in support of war gaming exercises at CINCLANTFLT, CINCPACFLT, and CINCUSNAVEUR. In addition, a central consolidated processing site at Navy Finance Center, Cleveland, for the Navy's personnel and pay systems is being established under the Personnel and Pay (PERSPAY) project.

X. CONCLUSION

The men and women in our Navy today comprise a priceless asset. They are highly trained and highly skilled. Their morale is high. They are ready to meet the challenges which lie ahead. As our Navy grows to fulfill National maritime strategy objectives, I am confident that we can continue to execute our plan to achieve its growth with sufficient personnel possessing the proper skill mix. Our task will be challenging, particularly in a rebounding economy and in the face of a declining manpower pool from which to draw new recruits. It is imperative that we remain competitive in the manpower market. It is important that we retain the strong cadre which we have developed. We must sustain our recent momentum.

We in the Navy are committed to using our resources wisely. We are committed to working closely with the Congress to ensure that our collective goals are achieved. With your support, I am confident that we can continue to meet the challenges which lie ahead.

MARINES IN BEIRUT

Senator JEPSEN. Thank you, Admiral.

General Cooper, I think I may have failed to say what I wanted to say when I told you about Beirut. The marines there were the epitomy of what soldiers, marines, and people serving this country are, what you read as far as duty, honor, country, and morale. It was a good feeling. The morale was high. As they moved in, literally to dig themselves in their new homes for the next 4 months, they were doing it with dispatch and know-how.

K-rations, or C-rations—whatever we had—we sat in the rain and ate together. They only do that once a day. The support troops were bringing in a hot breakfast and hot dinner. Everything was working well together. It is quite amazing how in a coordinated effort you can move that large a number of people and that big an operation in. It seems like you had been there forever and you had only been there 4 days.

So, it was very impressive. You may proceed.

STATEMENT OF LT. GEN. CHARLES G. COOPER, USMC, DEPUTY CHIEF OF STAFF FOR MANPOWER

General COOPER. Thank you, Mr. Chairman, for this opportunity to appear before your subcommittee to discuss our manpower program for fiscal year 1984.

The Marine Corps' No. 1 manpower priority is to see that every authorized vacancy is filled, to the maximum extent possible, with high quality marines.

I am pleased to report to you that the Marine Corps today is indeed a trim, tough, highly professional force. I am extremely proud of our young troops and the mature leadership they enjoy. As you have already commented, based on your visit to the 6th Fleet in Lebanon, when there is a difficult mission to accomplish, your marines are ready and able.

I have submitted a formal more lengthy statement for the record, but I would like to briefly discuss six points that highlight our efforts to maintain the high standards of readiness the Nation expects of its marines.

First, our manpower request for fiscal year 1984 is for 197,300 active duty marines, an increase of 2,700 above the fiscal year 1983 level. This will enable us to improve manning levels in both combat and combat support units.

Second, our recruiting service has provided, and continues to provide, the highest quality recruit we have seen in my entire Marine Corps service—not just the all-volunteer era. Last year we enlisted more than 85 percent high school diploma graduates and less than 9 percent mental group IV's. Fiscal year 1983 has been even more successful—and dramatically so.

Third, we are reenlisting only the very best marines—retaining mature, experienced, reliable people. We have made significant progress in reducing our traditional skill shortages. The selective reenlistment bonus is absolutely essential to this effort. It attracts good marines to the right skills. We urgently request your support for permanent legislative authority to continue this vital program.

Fourth, beginning in fiscal year 1985, some captains will be promoted to major after more than 11 years commissioned service, the maximum now recommended by DOPMA. This will continue to grow to an average of 12 years in the very near future. In order to maintain the promotion flow parameters established by Congress, we are requesting a revision to the DOPMA grade table that will allow a small increase in the number of majors.

Fifth, we will be continuing one of our most significant quality of life initiatives—the increase in the number of accompanied 3-year tours in Japan, with a concurrent reduction in the number of unaccompanied 1-year tours. This policy reduces the number of permanent change of station moves while offering the potential for family unity far beyond that ever previously experienced. It will have a lasting, positive effect on family morale and retention of quality career marines.

Finally, sir, I pledge to you that our war on drugs and alcohol abuse continues. We are committed totally to an aggressive campaign to eliminate the distribution, possession or use of illegal drugs and irresponsible drinking in the Marine Corps. We are getting results by stressing leadership responsibilities, positive peer pressure and tough, fair discipline for those who cannot meet our standards. There is absolutely no doubt in the minds of our marines about what our policy is or that we are firm and uncompromising in carrying it out.

To summarize, Mr. Chairman, our budget request for fiscal year 1984 includes programs essential to a well trained, highly disciplined, dedicated Marine Corps. I report to you that our personnel situation is healthy. Our successes in recruiting and retention have brought about a steady decline in grade and skill shortages. On a very personal note, sir, I could not have picked a better time in our history to become Deputy Chief of Staff for Manpower. This committee's support in the past has always been timely and most appreciated. I assure you we intend to remain worthy of this trust and confidence that you have placed in us.

Thank you, sir.

[The prepared statement of Lt. Gen. Charles Cooper follows:]

PREPARED STATEMENT OF LT. GEN. CHARLES G. COOPER, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR MANPOWER

Mr. Chairman, distinguished members of the subcommittee, it is a privilege for me to appear before you and present the fiscal year 1984 authorization request for Marine Corps manpower. My statement will focus on the Total Force, to include our mobilization capabilities as just recently tested during a major joint exercise, our continuing efforts to improve quality of life among our Marines and the encouraging trend in retention. I will also talk about the important aspects of recruiting and conclude with a brief discussion of our training requirement.

The Commandant's number one priority is to man the programed structure of the Marine Corps to the maximum extent possible with high quality Marines. Our fiscal year 1984 budget request calls for an end strength of 187,300, some 2,700 active duty Marines above the fiscal year 1983 level. This modest increase will enable us to improve the manning levels in some units and to continue the much needed enhancements and modernization of our combat and combat support forces. It is less than that required to fully support all contingency plans, but sufficient to provide a combat capable force ready to respond to crisis situations short of mobilization.

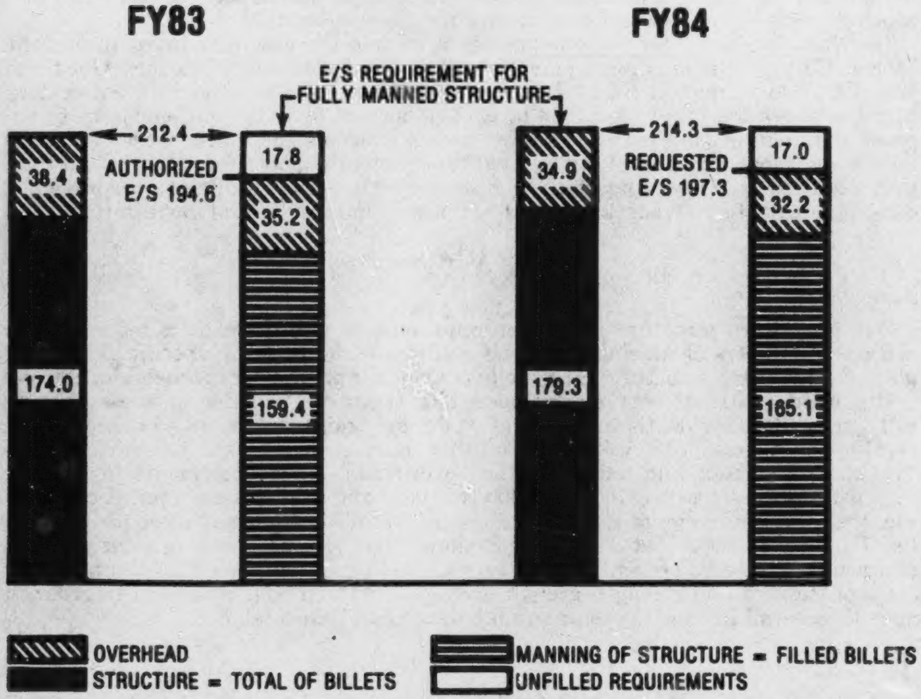
TOTAL FORCE

Active Force

Our programed structure meets our requirements only when it is manned with sufficient numbers of Marines in specific grades and trained in specific skills. Our plans for manning structure must include a certain amount of overhead for our patients, prisoners, transients and trainees. This is our cost of doing business. Historically, these individuals, the majority of whom are trainees, amount to approximately 20 of the filled billets. As depicted on this chart, if we man our programed structure at 100 percent and add to it the "overhead," our requirements for a fully manned Marine Corps would be 212,400 this year and 214,300 next year. A comparison of these requirements to our fiscal year 1983 authorized end strength and our fiscal year 1984 requested end strength shows that Marine Corps structure will be manned at 92 and 93 percent respectively. Our efforts to improve this manning percentage through end strength growth are moderate and well conceived in order to keep the overall Marine Corps program balanced and executable.

REQUIREMENT
(100% MANNING OF STRUCTURE)
vs
MANNING OF STRUCTURE
(AUTHORIZED/REQUESTED END STRENGTH (E/S))

(ALL NOS. 000s)



Our officer strength of 19,757 reflects an increase of 287 from fiscal year 1983. Included within this figure are 575 women whose assignments continue to be restricted to non-combat roles. Our average officer grade will maintain its historically low level of 2.7, and our officer to enlisted ratio of 1:9 remains the lowest among the services.

While we are convinced that the Defense Officer Personnel Management Act (DOPMA) provides a sound basis for managing our officer corps now and in the future, the Marine Corps is concerned that the current table in law that specifies the number of field grade officers who may be serving on active duty does not allow us to remain within the promotion timing window goal established by Congress for the grade of major. Beginning in fiscal year 1985 we will have the first officers being promoted to the grade of major with more than the recommended maximum of 11 years commissioned service, and the average promotion flow for this grade will grow to twelve years in the future. To allow the Marine Corps to operate within the promotion flow parameters established by Congress we are recommending, as a proposed change to DOPMA, an enhanced grade table that will allow for a modest increase in the number of majors who may be serving on active duty. In addition to permitting the Marine Corps to remain within the DOPMA management parameters established by Congress, the increase will allow us to fill a number of important billets external to the Marine Corps to support various defense programs. The proposal is under consideration in the Office of the Secretary of Defense.

The comprehensive legislation on flag and general officer management submitted to the Congress last year, and reintroduced this year, is also of major importance to the Marine Corps. I believe that this legislation will be responsive to the desires of Congress for more effective controls on flag and general officer authorizations, and I earnestly request that it receive your earliest consideration.

Our budget request supports an end strength of 177,543 enlisted personnel. This is an increase of 2,413 over the fiscal year 1983 authorization; it will allow a higher percentage of leadership and supervisory billets to be filled with trained, experienced personnel. The average grade of our enlisted force is lance corporal. There are 86,626 Marines in the grade of corporal or above.

I am happy to report that significant progress continues to be made in correcting critical skill shortages, most of which exist in technical areas that require extensive formal schooling. In fiscal year 1981, 178 of the Marine Corps' 402 military occupational skills (MOS's) had less than 85 percent of the personnel required and were regarded as critically short. During fiscal year 1982, this number was reduced to 145 MOS's, down 19 percent. There are now 119 critically short MOS's, and I project that number will decline to 102 by the end of this fiscal year if the Selective Reenlistment Bonus (SRB) program continued. This would represent a 30 percent reduction this year. The SRB program is the heart of this successful effort to retain good Marines in needed skills. I will return to this important topic later.

By the end of fiscal year 1983, 8,144 women Marines will comprise 4.65 percent of the active duty enlisted personnel strength of the Marine Corps. They continue to make a significant contribution in the occupational fields to which they are assigned. They will continue to be classified and assigned in accordance with policies established by the Secretary of the Navy in consideration of existing combat restrictions and the Marine Corps mission.

Marine Corps Reserve

The Marine Corps Reserve provides our Total Force with approximately one-third of the manpower available upon mobilization. The Ready Reserve, consisting of the Selected Marine Corps Reserve and the Individual Ready Reserve, serves as the primary source of this manpower.

The Selected Marine Corps Reserve (SMCR) end strength has grown steadily since fiscal year 1976. By fiscal year 1982, the strength climbed to 40,461 (five percent over our goal). The fiscal year 1982 growth increases our optimism that the SMCR can achieve wartime strength by fiscal year 1985–86. I am pleased to report that as strength increased, so did quality. Eighty-eight percent of our non prior service accessions and 87 percent of the overall SMCR population are high school graduates. Our new prior service recruiting force will be fully implemented this year, thanks to the assistance of Congress.

The Individual Ready Reserve (IRR) provides pretrained personnel to fill Active Force and Reserve units upon mobilization. Sixty percent of these Marines have been off active duty less than one year and are in the grades and skills we need to meet our wartime requirements. While the overall picture is good, we have experienced a decline of about 3,500 in the IRR population over the last four years. This decline was increased the shortfall in some critical skills needed to meet wartime requirements. Strength of the IRR at the end of fiscal year 1982 was 46,672. Reinstatement of the IRR reenlistment/extension bonus would provide the essential ingredient necessary to retain individuals with skills needed for mobilization.

Despite the decline in the IRR, the Marine Corps Reserve is in a period of dynamic manpower growth as a whole, and new personnel management programs are being introduced to manage the expanding force. One such program is the Reserve Manpower Management and Pay System (REMMPS), the first fully automated manpower system specifically designed for the reserve establishment. Operational a year ago, REMMPS is an integrated data base of reserve manpower management and financial information that links with the regular establishment for mobilization and with the Department of Defense for reporting. With timely and accurate input of data, continous improvements in procedures to enhance the system's capabilities and acquisition of new automated equipment for all reserve units to input and access management information, REMMPS provides a modern automated system that takes advantage of state of the art equipment and management techniques.

Civilian personnel

The Marine Corps request for 21,618 civilians in fiscal year 1984 satisfies only minimal requirements.

In order to provide maximum efficiency and to avoid costly duplication of effort, military and civilian manpower resources must be fully integrated. Marine Corps policy is that civilian personnel will be used to meet the requirements of supporting activities to the maximum extent practicable consistent with the requirements for use of military personnel by reason of law, training, security, discipline, rotation and readiness. Civilian personnel are employed in a variety of functional areas to provide supporting services, continuity in operations and specialized experience not otherwise available within the military structure.

Retirees

The Marine Corps manages approximately 87,000 retirees, a valuable, pretrained mobilization resources. 31,000 of these are most qualified to be mobilized, being less than 61 years of age, in good health and having served on active duty within the last ten years.

Our mobilization plans and assignment system designate these retirees to serve at Marine Corps supporting bases and stations in order to free active duty officers and senior enlisted Marines for duty in the Fleet Marine Force in the event of a major conflict.

Selected retirees are preassigned to certain billets which must be manned early in a mobilization such as Military Entrance and Processing Stations (MEPS). We intend to continue this practice and to expand the numbers of preassigned retirees.

Mobilization

The combination of retiree manpower and other pretrained manpower assets, including active duty Marines, Selected Marine Corps Reservists, Individual Ready Reservists, and newly trained individuals from the training pipeline, provides the Marine Corps with sufficient pre-trained manpower to initially meet full mobilization requirements. Qualitatively, these manpower pools can fill approximately 90 percent of the Marine Corps' overall wartime authorized structure requirements for grade and MOS, using normal grade and MOS substitution criteria. The 10 percent skill and grade deficiency is primarily centered in technical skill areas in which substitution is not desirable. The SRB for the active force, as well as the Selected Reserve Incentive Program and IRR bonus for the reserve forces can aid in overcoming wartime skill shortfalls.

Marine Corps wartime sustainability, after mobilization has occurred, is highly dependent upon attaining a sufficient level of in-theater medical health care and support. Without sufficient resources readily available to provide adequate medical care to wounded Marines within the theater of war, our requirement for Marine casualty replacements is increased to such an extent that it challenges our ability to sustain and support Marine forces engaged in combat. Programs initiated by the Navy to provide additional medical capability have our full support.

Mobilization exercises, such as the recent Joint Chiefs of Staff sponsored exercise PROUD SABER-83, confirm our capabilities and our needs. We know that pretrained Marine Corps manpower can quickly be identified and ordered to active duty. Our present manpower mobilization system is responsive and flexible. We can rapidly adjust our wartime structure to best fit the designated conflict, and we can accurately assign pre-trained manpower to fill the structure. Personnel earmarked for mobilization can receive orders to active duty in a matter of hours from the time mobilization is declared and can be transported to their unit in a matter of days.

The Marine Corps takes pride in its ability to mobilize its Total Force manpower in support of national defense and is committed to furthering this unique capability.

QUALITY OF LIFE

"Quality of life" initiatives are a significant consideration in a Marine's career decision and directly affect retention and readiness. Marines should be able to expect that their service will satisfy fundamental requirements for compensation, housing, educational benefits, dependent medical care and welfare and recreational facilities. The 96th and 97th Congress took steps to enhance this expectation and, as a result, retention has improved. If this congressional momentum is sustained, our personnel deficiencies will be gradually eliminated. The most significant areas for continued attention are:

Pay comparability

In order for the Marine Corps to meet its long term manpower requirements, it is imperative that military pay be set and maintained at reasonably comparable levels with the civilian sector. This lesson was learned in the late 1970's, when a series of pay raise caps, pay raise reallocations, and erosions in traditional military benefits resulted in the loss of many experienced middle-grade NCO's whose options outside the military were superior to those they could expect by remaining in the Crops with inadequate compensation. Positive congressional support brought about substantial military compensation improvements in fiscal years 1981 and 1982 that enabled us to regain comparability with the civilian sector and to realize significant improvements in both quality and quantity of new and career Marines.

The pay raise for fiscal year 1983, however, was capped at 4 percent. The necessity to restrain government pay increases during times of national economic difficulties is recognized and supported by the Marine Corps. As the economy improves, however, I strongly urge that we maintain our comparability goals. Without comparability we will face the same accession and retention problems that were prevalent in the mid 1970's. A comparability pay standard provides the necessary foundation for efficient and effective force management—it is the bedrock on which all other compensation rests. The key to maintaining pay comparability is to establish a military pay raise adjustment mechanism tied to the Employment Cost Index (ECI), as recommeded by the Military Manpower Task Force. The ECI measures the nationwide rates of change in earnings of the private sector. This standard would follow insights gained during previous pay studies which confirm that military pay, relative to civilian opportunities, is a major determinant of the services' ability to attract and retain qualified personnel.

Variable housing allowance (VHA)

A VHA provides members living in designated high housing cost areas compensation to augement Basic Allowance for Quarters (BAQ) in paying for actual housing costs. The amount of VHA, by law, is equal to the difference between the average monthly cost of housing and 115 percent of BAQ. VHA has singificantly assisted service members required to live in such high housing cost areas as Washington, D.C., where government quarters are largely unavailable. While members residing in government quarters are not affected by increased housing costs caused by inflation, members required to live in civilian housing continue to absorb those increases, and the gap between the housing allowance and the cost of housing widens when the VHA is capped, as in fiscal year 1983.

Travel reimbursements

Part of an equitable military compensation system is effective reimbursement for the cost of government directed travel. The high cost of Temporary Additional Duty and permanent Change of Station travel was recognized, in part, in the fiscal year 1981 pay bill, which contained several new travel provisions. However, many provisions were either not funded or only partially funded.

Temporary duty travel almost always results in out of pocket expenses caused by the $50 limit on regular per diem, and the $75 cap for high cost areas.

The Temporary Lodging Expenses (TLE) entitlement would have provided a military member with up to $110 per day for 4 days to offset the cost of relocating within the United States. It would defray the costs of lodging, meals, groceries, tips and fees, laundry and the cleaning and pressing of clothes. Funding for this new entitlement was denied in the fiscal year 1982 supplemental bill and 1983 appropriation bill.

Military people find it difficult to understand these inadequate reimbursements when they realize that their employer, the federal government, provides substantially more assistance to federal civilian employees who are in a travel status. For example, as a result of civilian federal employee entitlement to TLE, reimbursement for real estate expenses and a house hunting trip, a GS-9 on a cross country move can be reimbursed up to $17,229 as compared to $1,533 for an E-7. In order to correct this existing disparity, we have once again included this necessary and reasonable entitlement in our budget request.

Educational assistance

The most pressing requirement at this time is a need to eliminate the limiting time period for use of the Vietnam-era G.I. bill by eligible personnel, removing the disincentive to continued service represented by that limit.

Military retirement system

The military retirement system is unique to the requirements of the Armed Services. It is extremely effective in force management, providing along with other management and compensation techniques, a way in which the Services can keep the right number and kinds of people for 20 or more years, in spite of the frequent family separations, arduous duty, and potential risks. The key difference between military force management and that of any other organization is that the Services can only join individuals at the lowest enlisted or officer grades, then must mature them over many years and keep them after the training and personal dedication have resulted in a professional corps of mid/grade, noncommissioned officers and officers. The Services cannot join individuals at the mid and upper grade. They must grow their own. The average age of the force needs to be kept relatively low, so that individuals can meet the intense physical demands of combat. At the same time, some enlisted Marines and officers are needed for long careers of 30 years or more. Additionally, our mobilization plans require the recall of many Marines who have retired, but are still physically fit, as an experienced manpower pool during force expansion.

This retirement system cannot be compard with those of the Federal Civil Service, other government plans, or with the private sector, and to make judgments concerning the military retirement system without considering the significant differences between its purposes and those of other systems would be improper. As a result, the Department of Defense almost continuously reviews, as a coordinated whole, its compensation systems, including military retirement. It has been doing this in a formal and scheduled way since the 1960's, when the first of five quadrennial reviews of military compensation was initiated. In each of those reviews (the fifth is ongoing and has not yet reported its recommendations), the interrelationships of the various elements of military compensation were thoroughly examined, and various modifications to its elements, including the retirement system, were enacted.

In my opinion, that sort of comprehensive examination of the system is absolutely necessary if changes to the retired-pay portion of that system are being considered.

Accompanied tours in WESTPAC

We have made significant progress in our initiative to increase accompanied tours in Japan, primarily Okinawa and Iwakuni. Progress in this area is geared to the availability of housing. We plan to increase the number by 295 this year and by 225 in fiscal year 1984.

The stability afforded by having more Marines on longer accompanied tours, rather than one year unaccompanied tours will enhance the readiness of our units in Japan, other units supported by the Marines in Japan, and our CONUS based Marine Corps. We are convinced that the impact of this decision on family morale and the retention of quality careerists will benefit generations of Marines to come.

Drug and alcohol abuse prevention program

In 1981 the Marine Corps reemphasized its policy of intolerance for illegal drug involvement. This was followed by a policy designed to more effectively control the corollary problem of alcohol abuse. Both policies emphasize leadership responsibilities, peer pressure, detection, confrontation, discipline, education, treatment and return to full duty or separation of Marines as the essential elements in eliminating the distribution, possession or use of illegal drugs and irresponsible drinking in the Marine Corps.

Beginning 1 February 1982, we initiated a vigorous program of identifying Marines involved with illegal drugs through urinalysis. On the basis of authorization from the Secretary of Defense, positive results, as confirmed by DOD certified Drug Testing Laboratories, are being used to initiate disciplinary action and to characterize the type of discharge in the administrative separation of Marines.

The key is leaders who recognize that the use of illegal drugs or misuse of alcohol are incompatible with individual discipline and unit effectiveness. We are making real progress in this very difficult area.

Family service centers

In a recent six month period, Marine Corps Family Service Centers handled 32,000 inquiries and serviced over 12,000 individuals. During the same period, there were over 23,000 participants in a variety of programs to include personal financial management, meeting responsibilities as a parent, and awareness of the causes of spouse and child abuse.

This was a significant increase in the use of Marine Corps Family Service Centers over the six months immediately preceding. We expect these numbers to continue to increase as Family Service Centers become more established and accepted at the local level.

This program performs a useful service and increases morale by showing our Marines and their families that their health and welfare are a constant concern. It cannot help but have a positive impact on retention.

Morale, welfare, and recreation programs

Marine Corps recreational activities play a vital role in support of the leisure time needs of our Marines and their dependents. These activities help by adding a healthful and constructive dimension to military life. They are an important part of the quality of life perceptions that influence retention.

RETENTION

Officers

In fiscal year 1981, we experienced an increase in officer retention, a trend that continued in fiscal year 1982. Attrition dropped from 9.1 percent in fiscal year 1981 to 7.6 percent in fiscal year 1982. This decrease can be attributed to continued satisfaction of most officers with the challenge of their profession, congressional support in providing improved compensation and to some extent the current state of the economy. Retention of pilots and naval flight officers improved even more dramatically. Within that community attrition dropped from 11.1 percent in fiscal year 1981 to 7.3 percent in fiscal year 1982. In large part this progress may be attributed to the Aviation Officer Continuation Pay (AOCP) program. Your continued support for this program for fiscal year 1983 and fiscal year 1984 will enable us to bring our aviator inventory in line with our requirements.

Enlisted Marines

During fiscal year 1982, we reenlisted over 15,000 Marines, our second best year in history in terms of total reenlistments. Retention and reenlistment rates were the highest ever recorded. That pattern is continuing.

This success can be attributed to widespread job satisfaction, internal improvements in our career planning program a high rate of unemployment in the civilian sector and fair treatment in compensation and benefits.

Related to our retention success is a continued increase in the high standards expected of our reenlistees. By selectively reenlisting only quality Marines, we are keeping the most dedicated and effective individuals, thus increasing our efficiency and combat capability. Coupled with this we have have made significant progress over the past two years in solving traditional skill shortages. The SRB program, and a companion management program in which individuals are encouraged to move from fields in which we have sufficient numbers of qualified Marines to fields in which we are short, have been primarily responsible for these improvements.

As you know, legislative authority for the SRB program expires March 31, 1983. Enactment of permanent legislation is absolutely essential to adequate enlisted retention. The SRB program works. It is inexpensive as compared with the cost of recruiting and training Marines. Your strong support in this matter is vital.

The method of payment of reenlistment bonuses was changed in early fiscal year 1982 from a lump sum basis to a modified lump sum/installment basis. Without addressing the relative merits of each, I would like to point out a disturbing long term effect on the present method. This effect is beginning to have an impact now and will loom even larger in fiscal year 1984. As the number of participants in the SRB program increases, the anniversary payments that we are obligated to make in future years increase as well. The result is that an increasing portion of each SRB dollar is, in a sense, pre-obligated to Marines who have already reenlisted. We need adequate funds to maintain, at a minimum, the fiscal year 1982 levels of new awards. In summary, we need support for the renewal of the legislative authority for the SRB program in fiscal year 1983 and support to ensure that future funding is maintained at adequate levels.

Enlisted retention will continue to be a major manpower concern. Our standards will remain high, and retaining our best Marines will be a primary goal. Continued fair treatment in compensation and benefits is necessary to achieve objectives. I solicit your continued support in this most vital area.

RECRUITING

Two of the many factors in our Marines' decisions to reenlist are how they view the quality of the leaders senior to them and how they view the quality of Marines they see themselves leading. In this regard in fiscal year 1982 the Recruiting Service provided the highest quality accessions we have seen in the all volunteer era to date. I will highlight these attainments briefly.

New enlistment contracts exceeded plans, which allowed us to access 105.9 percent of our requirement—with enough left over to create a delayed enlistment start pool for fiscal year 1983 representing 43.8 percent of our annual accession goals. By comparison, the start pool at the beginning of fiscal year 1982 was 30.3 percent. The high school diploma graduate percentage for Total Force accessions this past year was over 85 percent, 5 percent over 1981. Similarly, AFQT Category IV enlistments fell to below 9 percent for the regular component, a decrease of more than 4 percentage points from fiscal year 1981.

In short, we had measurable success in enlisted recruitment this past year. At the same time, officer procurement continued, as is traditionally the case, to produce morally sound, well-educated highly motivated lieutenants.

Fiscal year 1983 is developing as an even more successful year than 1982. We are projecting increased percentages in high school diploma graduates, lower percentages in AFQT Category IV's, and a larger delayed enlistment start pool into fiscal year 1984.

These successes are attributable to three factors. The first is our continuous striving to attain ever higher manpower quality goals; the second is the heavy investment of experienced and effective Marine officers and noncommissioned officers in the Recruiting Service; the third is the comparatively attractive alternative represented by military service during a period of economic difficulty.

A representation of the effectiveness of our approach to enlisting the highest possible quality young Americans is the uniformly superior quality—achieved without resorting to selective assignments—of the Marine Amphibious Unit ashore in Lebanon.

We believe that the favorable recruiting climate may extend to fiscal year 1984. Because of this, we anticipate being able to achieve desired end strength with level programs in advertising and support.

Congress can and should be proud of the support it has provided to bring these successes about. In the past three years, the increases you have authorized in numbers of recruiters, equipment and facilities have enabled the Marine Corps to bring in the numbers and kinds of new Marines we need to field the first-rate, "First to Fight" force-in-readiness our citizens deserve.

A particular expression of appreciation is in order on behalf of our recruiters for including in the DOD Authorization Act of 1983 the provisions of the "Tower bill." The Act, authorizing recruiters to collect school directory information, and enjoining local jurisdictions to provide juvenile and criminal history information is a significant milestone in the All Volunteer Force era.

TRAINING

In fiscal year 1984, the Marine Corps is requesting a training load authorization of 24,328 manyears. This 4 percent increase from fiscal year 1983 will accommodate required training in five major categories: 11,404 manyears in recruit training, 577 manyears in officer acquisition training, 10,951 manyears in specialized skill training, 674 manyears in flight training, and 722 manyears in professional development training. The request consists of 21,105 manyears for Active Force personnel and 3,223 manyears for Reserves.

Specialized skill training presents the Marine Corps' training community with its greatest challenge. Its sheer volume, scope and complexity generates a requirement for special attention and efficient management techniques.

Of the total entry-level training required during fiscal year 1984, approximately 12 percent will be accomplished in on-the-job training (OJT) programs. This represents a significant decrease in non-formal school training from previous reports, and is in part the result of your support in previous years in increasing training overhead. Several formal schools have been opened recently and have reduced that portion of the training load shouldered by operational units. Our East Coast and West Coast Motor Transport schools graduate over 2,000 formally trained motor vehicle operators who previously were trained by a unit training program. As you are aware, use of operational units to conduct individual, entry-level training can cause a reduction in unit readiness and prolong training of the individual. Our reduction in the amount of OJT, therefore, is a continuation of the Marine Corps' training philosophy of offering the preferred formal courses of instruction to as many initial entry-level Marines as possible, without sacrificing training economies which may result from non-formal school training in selected areas.

Management of student input to available formal school seats has been a continuous problem because of the cyclic nature of recruiting, and the resultant uneven flow of Marines from our recruit depots into the specialized skill training programs. Short-range management actions are taken each year to assist our formal schools in accommodating much of the cyclical recruit input, and medium to long range forecasting of student populations becomes increasingly more accurate over time as we gain more effective capabilities through automation. Additionally, the Marine Corps trains 43 percent of its personnel at other service schools. For fiscal year 1984, however, the extremely favorable status of our delayed entry pools may allow us to come closer to "level loading" of our formal schools. While the degree of attainment possible is still uncertain, the ability to program Marines to school in a near uniform fashion will bring new opportunities for training efficiencies as well as new challenges.

The formal training of our Reserves is a vital component of the "total force" concept. Initial Active Duty Training (IADT) for Reserves includes the same recruit and specialized skill training received by their Regular counterparts. Additionally, there are 74 two-week formal courses of instruction offered for Reserves at various formal schools. These courses encompass a wide range of subjects and provide Reservists with comprehensive, skill enhancing training during their annual active duty training periods.

MANPOWER COST

In fiscal year 1984 the Marine Corps is requesting $3,462.9 million for pay and allowances, subsistence, individual clothing and permanent change of station travel for the Active force. To support our increased strength and provide funding for TLE, unemployment compensation benefits for Marines honorably discharged, the resumption of new AOCP payments and inflation, our budget request is $131.9 million higher than our fiscal year 1983 request.

The following chart highlights our fiscal year 1984 request by budget activity.

FISCAL YEARS 1982–84 MILITARY PERSONNEL, MARINE CORPS BUDGET

[Dollars in millions]

Budget activity	Fiscal year 1982		Fiscal year 1983		Fiscal year 1984	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent of total
1. Pay and allowances of officers	$602.326	19.36	$651.383	19.56	$674.055	19.47
2. Pay and allowances of enlisted	2,116.899	68.03	2,251.815	67.60	2,313.870	66.82
3. Submission of enlisted personnel	207.248	6.67	230.633	6.92	240.127	6.93
4. Permanent change of station travel	183.215	5.88	194.663	5.84	206.935	5.97
5. Other military personnel cost	2.141	.06	2.483	.08	27.913	.81
Direct program	3,111.829		3,330.977		3,462.900	
Reimbursable/program	13.204		14.819		16.100	
Total program	3,125.033		3,345.796		3,479.00	

CONCLUSION

In summary, I would like to emphasize that the Marine Corps provides the country with a well trained, highly disciplined, dedicated force fully capable of serving as the Nation's force-in-readiness. Your support has been, and will remain, vital to our progress in accomplishing our goals, and in achieving the leadership necessary to train and influence the young men and women placed in our charge. The individual Marine has never been better, and he is the key to our effectiveness. We seek support to continue striving for quality enlistments and reenlistments to meet our manpower needs.

This, Mr. Chairman, concludes my statement. I am prepared to respond to your questions.

Senator **Jepsen**. For the record I would say that our Military Justice bill is going to mark up next Tuesday, and it does contain a drug-offense article. I think it is important to send the right signals on that. I am pleased to hear of your work and your feeling about it.

One of the most distinguished members of this committee and of the entire U.S. Senate in service to country and support for our Armed Services just came in, Senator Thurmond.

I had an opportunity to get better acquainted with Senator Thurmond a few weeks back when I introduced him and I had a résumé.

My respect and admiration for him went even higher when I read that résumé. I remember reading of the fact that in World War II he would not have had to go in the service, is that not right, Senator? You were a judge and exempted at the time. But he could not wait to enlist and he did. He retired as a major general.

He is a man of action. He accused me of being a grandfather the other night. He did not know I was so much older than he was. [Laughter.]

Senator Thurmond is a patriot personified of the United States.

Senator Thurmond, you may now say anything or do anything you so desire, as long as you so desire.

Senator **Thurmond**. Thank you very much, Mr. Chairman. But you really do not look a generation older than I. [Laughter.] I wish to thank the chairman for the fine leadership he is providing this subcommittee and I am very pleased and honored to serve with him as a member of this subcommittee.

Secretary Korb, General Thurman, Admiral Zech, General Cooper, and General Iosue—where did you get that name? [Laughter.]

General **Iosue**. Sir, we do not have enough time to go into that today, the derivation of that name. [Laughter.] Will talk to you a little bit later.

Senator **Thurmond**. I just wondered what country it was.

General **Iosue**. Italian.

Senator **Thurmond**. Italian. Well, there are a lot of Italians in this country so you have a big advantage in that way if you ever run for office. [Laughter.]

It is a pleasure to have you distinguished gentlemen appear before the Manpower and Personnel Subcommittee. You gentlemen are to be commended for the work you do, insuring our Nation has the best men and women serving in its Armed Forces.

During the past year, I have had occasion to visit Marine Corps, Air Force, and Army installations in regard to my duties on the Armed Services Committee. Unfortunately, I did not have an opportunity to visit a Navy installation.

At each installation that I visited I was impressed by the comments and what I saw, and by the commanders. Without exception, each service is highly pleased with the quality of young men and women wearing the uniform today.

Although the economy is a factor in the favorable recruiting climate we have experienced recently, I feel that the majority of the credit should be given to you gentlemen and to those who serve under you. You have worked tirelessly to attract higher quality young people and your long hours of hard work have paid rich dividends for the national security of our country.

I have great confidence in the quality of these young men and women and, although it is my sincere hope that they never be tested, I feel sure that they would acquit themselves with honor if the occasion arises.

Mr. Chairman, I have a few questions here, would you like me to ask them now?

Senator **Jepsen**. With your consent and agreement, Senator, General Iosue is the only member of the panel that has not had a chance to make his brief remarks. If I might start with him.

Senator THURMOND. Please.

Senator JEPSEN. General Iosue?

STATEMENT OF LT. GEN. ANDREW P. IOSUE, USAF, DEPUTY CHIEF OF STAFF FOR MANPOWER AND PERSONNEL

General IOSUE. I appreciate the opportunity to appear before this committee. This is also the third time that I have had the pleasure of testifying before the committee.

At the outset I would like to thank you and the committee members for your effort in support of our programs. Much of our successes can be attributed to your support over the past few years.

I have submitted a statement for the record, but I do have a couple of remarks I would like to make.

The personnel situation in the Air Force, as it was a year ago, is excellent. We are still struggling to keep up with the Army. [Laughter.]

RECRUITING AND RETENTION

Recruiting is the best it has been since the advent of the All-Volunteer Force. We are meeting our goals and the quality is extremely good by any measurement. We were recruiting some 65,000 this year and that will increase slightly next year to about 75,000 to support about a 3-percent growth in the Air Force about 40 percent of that growth is for force structure and about 60 percent for readiness.

Retention rates are at an all-time high. Our pilots, navigators, non-rated officers and enlisted, across the board, are staying in record numbers. These retention rates have done much to cure many of the shortages we have had in the pilot force and in our mid-career NCO's over the past couple of years.

These recruiting and retention successes are due primarily to two factors: One, the high unemployment rate and two, the pay increases. History tells us that any changes in these factors will reflect upon our ability to recruit and retain people.

Retention rates in particular are very fragile. You can track the retention rates over the past few years and see that they track very closely with the unemployment rate—Air Force people probably more so than any of the other services, because our people are more susceptible to the demands of the private sector. About 85 percent of our people have skills comparable to those in the private sector. When the unemployment rate is down these skills are in great demand.

We found that when we were losing pilots, about 75 percent of the airline hires were former military pilots. Obviously, the airlines are not hiring today and our pilot retention is good.

We have large numbers of computer technicians, electronics specialists, electrical and mechanical engineers, avionics specialists—all in great demand. With a turnup in the economy they will be "romanced" by the private sector.

The other factor is pay. The psychological effect of a zero pay increase is severe. But during my travels I have found that a majority of our people will accept a pay freeze. They accept a pay freeze for three reasons:

No. 1, they are willing to do their share.

No. 2, they have been led to believe that there will be a catchup raise in 1985.

Most importantly, they accept a pay freeze in lieu of a decrease in longstanding institutional entitlements such as health care and retirement.

Of all the forms of compensation that we have, the one that is most critical, has the greatest effect upon retention, and is of deepest concern to our people, is our retirement system. I am sure you are aware that the program has been under constant attack in the past decade.

Recent proposed changes will have an adverse effect upon our ability to recruit and retain quality people. The high-3 averaging and the 50-percent COLA cap represent about a 40-percent decrease in the lifestream earnings of our people. Assuming that inflation increases by 6 percent each year a tech sergeant, for example, will lose about $120,000 over his lifespan.

It is essential that our retirement system be placed in the proper perspective. We will, in the event of a contingency, recall some 85,000 to 100,000 retired people with essential skills. Sixty percent of our retirees earn less than $9,800 per year—that is the poverty level for a family of four. It is a form of deferred compensation which offsets the demands of a military career. In its current form, it is the No. 1 retention incentive.

So, any change must be studied very carefully to determine the implications on retention.

In summary, recruiting and retention continue on the upswing. We must not forget the lessons of the past which occurred in 1976 and 1979. We must protect existing entitlements. Working together, we can assure that the Air Force maintains its current state of high readiness and morale.

Thank you.

[The prepared statement of Lt. Gen. Andrew Iosue follows:]

Prepared Statement of Lt. Gen. Andrew P. Iosue, Deputy Chief of Staff, Manpower and Personnel, U.S. Air Force

INTRODUCTION

Mr. Chairman and members of the committee, I appreciate this opportunity to appear before you to discuss United States Air Force active duty manpower requirements and trends for fiscal year 1984. I look forward to working with the Congress again this year in our efforts to further strengthen our people programs.

As in the past, the key to readiness has been the Air Force's ability to attract and retain high quality, motivated people in sufficient numbers to meet our manpower requirements. In the coming years, however, we will be challenged to keep up the momentum of the past three years. The Air Force is in a period of force growth brought on by changing military strategies and expanding roles and missions. At the same time, a declining youth population, anticipated private sector competition for skilled people, socioeconomic influences and an uncertain economy will make it difficult to keep pace with the growing demand for high quality people.

Under today's circumstances, the Air Force and all of the Services are enjoying unparalleled recruiting and retention success. Internal leadership efforts, adequate recruiting resources, the depressed economy with its attendent high unemployment rates and the significant pay increases provided in fiscal years 1981 and 1982 all played a part in reversing the devastating losses of the late 1970s. Despite our current successes, the recruiting and retention environment is fragile because of the uncertainty of the impact of a stronger economy, falling unemployment rates, the 4 percent pay cap in fiscal year 1983 and the proposed pay freeze in fiscal year 1984.

In addition, we still suffer from shortages and low experience levels in certain critical skills. For that reason, we must continue to rebuild our experience base by sustaining the momentum of the past 3 years.

The rebuilding of our nation's defense must be sustained if we are to continue to meet the threat. However, we are at the same time sensitive to the rising cost of defense. For that reason, the fiscal year 1984 manpower and personnel budget has been developed to provide a balance between the required levels of readiness to support the Air Force's growing world-wide commitments and the most effective and productive use of our limited resources. The fiscal year 1984 Air Force manpower and personnel budget request focuses on two major areas: end-strength increases in direct support of growing Air Force roles and missions and programs designed to sustain recruiting and retention rates, build experience and quality, and improve or at least preserve the quality of life of our people and their families.

AIR FORCE MANPOWER REQUIREMENTS FOR FISCAL YEAR 1984

Air Force manpower levels are based on mission requirements and represent a balanced mix of active military, civilian, Air National Guard and Air Force Reserve personnel. Although total Air Force manpower levels remain below these of only a decade ago, the mix of forces has remained relatively constant and reflects an effective balance of forces necessary to carry out both peacetime and wartime missions. (Figure 1) An active contracting-out program (of which the Air Force is the leader within the Department of Defense) has helped to temper our overall growth rates.

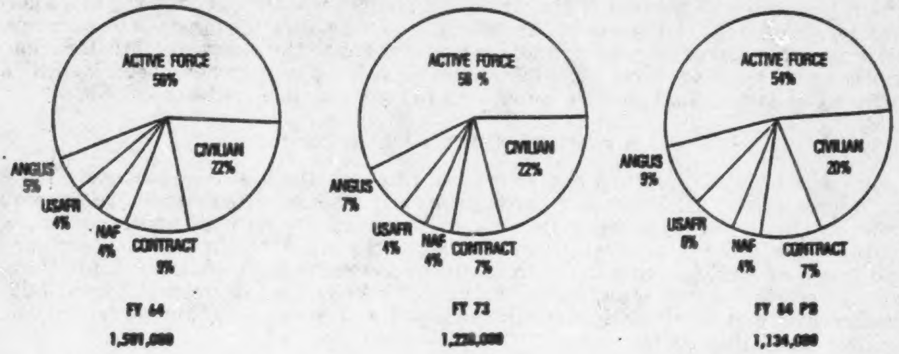


Figure 1

Active duty military

A military end strength of 612,600 requested in the fiscal year 1984 Budget represents an increase of 20,100 or 3.4 percent over fiscal year 1983 levels. The fiscal year 1984 manpower request results from programmatic increases in direct support of the ground launched cruise missile; wartime readiness initiatives; improved command, control and communications; and increased and modernized tactical force structure. Not all mission changes will require additional manpower, however, because we have taken a number of initiatives that will save manpower spaces. For example, transfer of Air Reserve Force advanced pilot upgrade training to the Air Reserve Forces, development of the Joint Surveillance System (JSS) and the Titan II phasedown all result in manpower savings. We take pride in the fact that our force levels are determined through a regularized process designed to identify military essential requirements in support of wartime taskings and which incorporates all available economies and efficiencies.

Civilian

In fiscal year 1984, the Air Force requests civilian manpower increases of 3,500 or 1.4 percent above fiscal year 1983 levels to a total of 249,664. This growth directly supports increased flying hours, aircraft procurement and expansion of surge capability in the logistics area. The civilian manpower program, which represents 20 percent of the total workforce, is an essential element in the Air Force's ability to support and sustain wartime requirements. The Air Force continues to use civilian manpower in those positions which are not military essential, that is, in positions not requiring combat or direct combat support. Included in our civilian end-strength figures are Air Reserve Forces (ARF) military technicians who are members of the Air National Guard and Air Force Reserve serving in their units on a full-time basis as dual-status civilians in peacetime, but who become military upon mobilization.

Air Reserve Forces

Increased manpower levels for the Air Reserve forces in fiscal year 1984, as in fiscal year 1983, are a result of continued force modernization. The Air Force Reserve increases by 3,300 (5 percent) as it continues to modernize its force through conversions to C-130 and F-16 aircraft, increases its KC-10 associate program and increases the number of people in aerial port, medical, and civil engineering functions. The Air National Guard increases by 2,300, 2 percent, to support growing numbers of F-4 and F-16 aircraft and expanding command, control and communications systems.

Contracting

The Air Force has long considered contracting-out under the auspices of OMB circular A-76 to be a viable and often efficient means of accomplishing the workload. As a result, we have progressed further in contracting commercial activities than the other Services and DOD agencies—approximately 80,000 contract man-years which represents 23 percent of the Air Force civilian workforce compared to 12 percent for the Army, 17 percent for the Navy, and 2 percent for other DOD agencies. Air Force cost comparison programs have responded to the renewed OMB/OSD emphasis on contracting—over 16,000 Air Force civilian positions have been identified for cost comparison and possible conversion to contract since fiscal year 1979.

AIR FORCE RECRUITING AND RETENTION

Active Air Force recruiting and reterntion rates are the best they have been since the advent of the All Volunteer Force. However, despite our successes, we are still suffering from low experience levels and shortages in critical, sortie-generating skills. As we attempt to solve these shortages, the effect of an improved economy and lower unemployment rates remain an uncertainty. Both of these factors have affected recruiting and retention in the past. We know that as unemployment falls, the Services, and particularly the Air Force, will find it more difficult to recruit and retain high quality people.

Recruiting

Officer recruiting: While the fiscal year 1982 officer recruiting environment remained strong, the Air Force still has shortages and low experience levels carried over from the retention difficulties of the late 70s. Current projections indicate that navigator and engineer shortages will continue until fiscal year 1985. Pilot and physician specialty shortages (such as General and Orthopedic Surgeons) are expected to remain through the FYDP. Although our progress has been good, there is a need to continue to work aggressively to fill our shortages and rebuild our experience base. (Figure 2)

FIGURE 2

OFFICER SHORTAGES

	Pilot	Navigator	Engineer	Medical
End fiscal year:				
1979	1,300	40	1,200	200
1980	1,100	300	1,100	100
1981	1,100	600	1,000	[1] 200
1982	925	525	850	[1] 200

[1] Specialists.

Enlisted recruiting: The Air Force achieved its fiscal year 1982 enlisted recruiting goals and is well on its way to achieving the fiscal year 1983 goal. Although the fiscal year 1984 enlisted recruiting objective increases by 17 percent, in terms of real growth the total recruiting budget increases only 5 percent. (Figure 3) The increased fiscal year 1984 prior service objective needed to fill mid level noncommissioned officer experience gaps in certain critical skills will be more difficult to achieve because of anticipated competition from the private sector for people with similar technical experience.

FIGURE 3

ENLISTED RECRUITING OBJECTIVES

Objective	Fiscal year 1983	Fiscal year 1984
Nonprior service	61,000	70,100
Prior service	4,000	6,000

The quality of non prior service (NPS) accessions continued to improve in fiscal year 1982. Ninety-four percent of our fiscal year 1982 NPS accessions were high school diploma graduates compared to 88 percent in 1981.

Retention

Officer retention: Fiscal years 1982 and 1983 (to date) have been good years for officer retention. (Figure 4) However, retention is influenced by the economy in general and unemployment rates in particular, as well as the individual's perception of job and family security afforded by a military career. For that reason, we must insure that our people understand that their sacrifices are appreciated and that commitments made to them in the form of institutional supports and other tangible and intangible benefits are preserved. If not, the results could be equally as devastating as they were in the late seventies—only this time, we do not have a large experience base to cushion the fall.

FIGURE 4

OFFICER CONTINUATION RATES (PERCENT)

Category	Fiscal year—			
	1979	1980	1981	1982
Pilot (6 to 11 years of service)	26	42	54	68
Navigator (6 to 11 years of service)	44	57	62	71
Nonrated (4 to 11 years of service)	44	56	54	62

Enlisted retention: Fiscal year 1982 marked the best enlisted retention in recent history. The first term reenlistment rate was 57 percent compared to 38 percent in fiscal year 1979, second term reenlistments rose to 81 percent versus 60 percent, while the career rate was 95 percent compared to 91 percent. (Figure 5)

FIGURE 5

REENLISTMENT RATES (PERCENT)

	1st term	2d term	Career
Fiscal year:			
1979	38	60	91
1980	36	63	92
1981	43	72	94
1982	57	81	95

Despite our recent successes, we have yet to fill the experience gap created by the mass exodus of mid-level, career noncommissioned officers in the mid to late 1970s. Even if retention were to continue at current levels, projected force expansion will lower average enlisted experience levels from the current level of 7.0 years of service to 6.7 years of service in fiscal year 1984. In addition, while overall manning is at authorized levels, at the end of fiscal year 1982, we still had shortages of approximately 8,000 NCOs in pay grades E5-E7 in 67 combat-related skills. We have taken several initiatives to reduce this shortage; however, we do not expect to solve the problem through fiscal year 1984 even if we can sustain current retention levels.

Future recruiting and retention concerns

The recruiting and retention environment is influenced by many factors—military compensation and institutional supports, the level of recruiting resources, the availability of quality people and the economy. Of particular concern is the unknown extent to which the economy and unemployment rates in particular affect recruiting and retention. Economic indicators are beginning, although not conclusively, to show signs of recovery. The uncertain economic environment, the October 1, 1982, 4 percent pay cap, the proposed fiscal year 1984 pay freeze and recently enacted changes to the military retirement system underscore the fact that current recruiting and retention rates could crumble as quickly as they have risen.

As the economy begins to improve, the high technology industries will be the first to recover. Additionally, the national shortage of engineers and aircraft maintenance technicians together with the growing demand for people in telecommunications, computers and robotics will create a lucrative private sector job market. This could drain the Air Force of many of the high quality, trained and experienced people needed to operate and maintain much of our new and sophisticated equipment. The Air Force has over 6,000 computer technicians, 27,000 avionics specialists, 30,000 electronics specialists, 4,000 electrical/mechanical engineers, and 83,000 aircraft mechanics. In an improved economy or if the pay gap widens further, we expect these people to be the first to leave the Air Force, and in greater numbers than others.

Our fiscal year 1984 programs are designed to sustain recruiting and retention, maintain the quality of the force and to preserve the institutional benefits that our people have earned.

THE FISCAL YEAR 1984 PERSONNEL PROGRAM

Military pay

In January 1972, military pay levels were comparable to the private sector workers (Professional, Administrative, Technical, and Clerical—PATC). However, after the 1 October 1979 pay cap, military pay had fallen substantially below private sector wages and was not again comparable with the private sector until fiscal year 1981. On 1 October 1982, military pay was capped and the fiscal year 1984 budget proposes that it be frozen at its current level. If military pay remains capped below private sector wages, we may be able to get through fiscal year 1984 without serious consequences. The impact may also be lessened as a result of lower inflation rates produced by the administration. However, servicemembers will once again opt to pursue civilian careers as the economy improves and increased demand occurs for those with highly transferable skills in the private sector. These losses will degrade readiness.

Air Force people are willing to make sacrifices, along with other Americans, to help in the Nation's economic recovery. Nevertheless, to avert problems comparable to the late seventies, comparability must be restored in fiscal year 1985.

Military retirement program

The fundamental purpose of the military retirement system is to facilitate force management. It insures that a large, standing pool of skilled, experienced manpower will be available to meet the Nation's wartime requirements. Although specific provisions vary, all retirees may be recalled in time of congressionally declared war or national emergency—Air Force plans call for the mobilization of over 85,000 retirees in the event of a war. It also provides the foundation for a strong system of institutional supports which is necessary to partially offset the extraordinary demands of a military career such as service in foreign, remote, and sometimes hostile environments, the inability to control living or working conditions, frequent involuntary relocations, and abridgement of certain individual rights. More important, the retirement system is the most powerful factor in the retention equation. A recent survey of Air Force people revealed that the retirement program is the number one factor in the career decision of enlisted members and officers. Unlike most retirement programs, a military member must remain in service for at least 20 years to receive any benefit—there is no vesting, no lump sum payoff or reduced annuity for service short of eligibility that would provide an incentive for early separation.

Congress should also recognize that military retirement has already been reduced significantly based on changes enacted since 1980. For example, Hi-3 averaging enacted in 1980 reduces the life time retired pay for those who entered active duty after September 7, 1980, by approximately 10 percent. Current proposals to make permanent the 50 percent COLA cap for those under age 62, established in 1982, will reduce lifetime retirement pay for a master sergeant retiring at the high-year-of-tenure point of 26 years-of-service by $81,000 (assuming only 4 percent inflation)! This is equivalent to reducing the retirement pay multiplier from 65 percent of basic pay to 52 percent of basic pay. Figure 6 shows the loss of purchasing power comparing full COLA versus 50 percent COLA for a master sergeant and lieutenant colonel retiring at their high-year-of-tenure points (26 years and 28 years respectively).

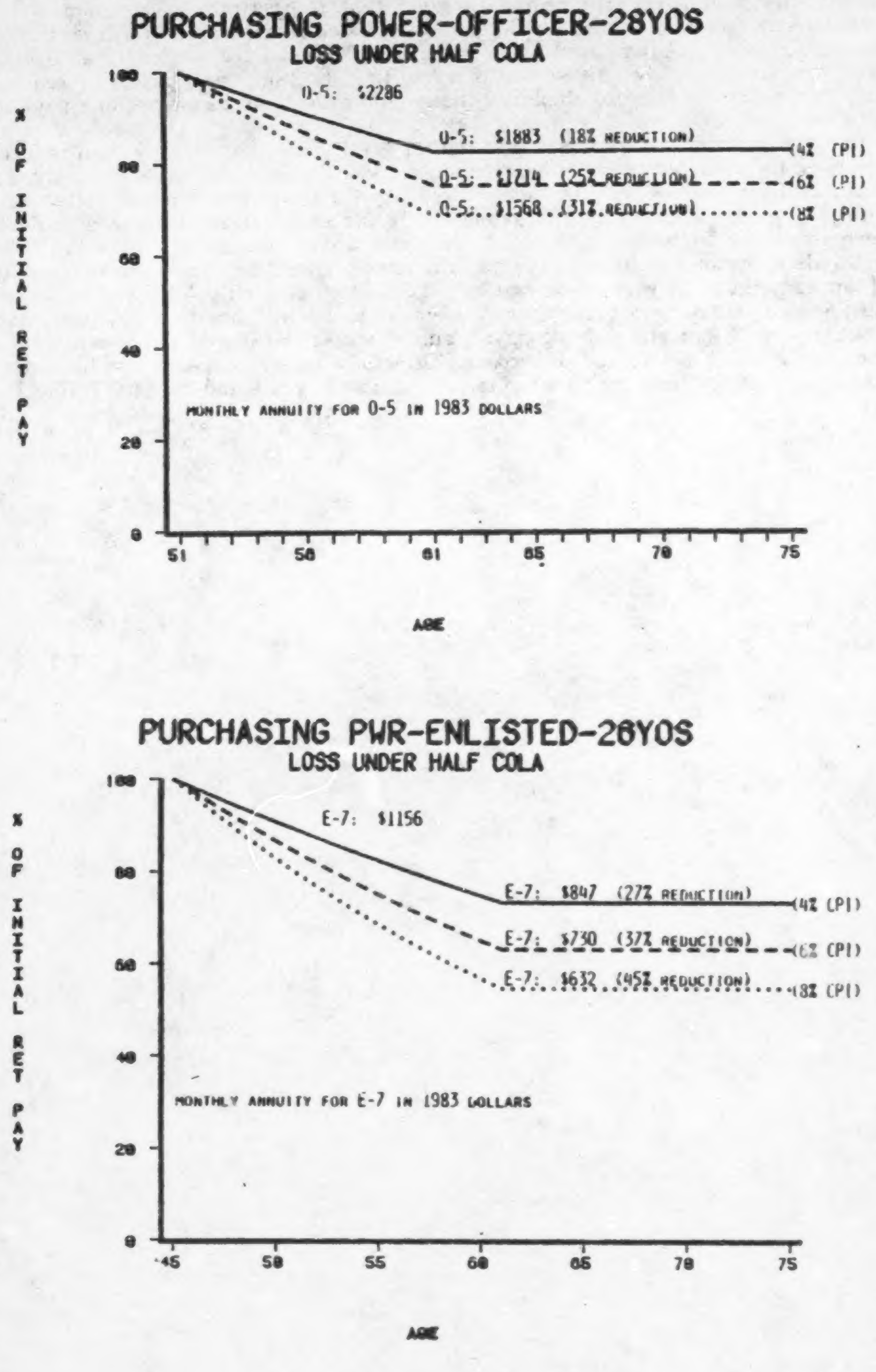

PURCHASING POWER-OFFICER-28YOS
LOSS UNDER HALF COLA
% OF INITIAL RET PAY
100
80
60
40
20
0
O-5: $2286
O-5: $1883 (18% REDUCTION)
(4% (PI)
O-5: $1714 (25% REDUCTION)
(6% (PI)
O-5: $1568 (31% REDUCTION)
(8% (PI)
MONTHLY ANNUITY FOR O-5 IN 1983 DOLLARS
51
56
61
65
70
75
AGE
PURCHASING PWR-ENLISTED-26YOS
LOSS UNDER HALF COLA
% OF INITIAL RET PAY
100
80
60
40
20
0
E-7: $1156
E-7: $847 (27% REDUCTION)
(4% (PI)
E-7: $730 (37% REDUCTION)
(6% (PI)
E-7: $632 (45% REDUCTION)
(8% (PI)
MONTHLY ANNUITY FOR E-7 IN 1983 DOLLARS
45
50
55
60
65
70
75
AGE

Figure 6

Finally, any changes to the retirement system must result from a deliberate process based on readiness requirements with the full understanding of the potentially devastating impact on Air Force recruiting, retention and readiness. Changes must not be based on the mistaken assumption that retired pay is an overly generous "give-away" program. The average retired pay of more than 60 percent of the current retiree population is below the 1982 poverty threshold for a family of four. For a technical sergeant retiring at his or her high year of tenure, the $8,965 military retired pay is $900 below the national poverty level for a family of four! With a 4 percent pay cap in fiscal year 1983 and the proposed pay freeze in fiscal year 1984, it is all the more essential to preserve the military retirement program and other institutional supports such as medical care and commissaries.

Permanent change of station (PCS) reimbursement

The Air Force continues to look for ways to increase PCS stability and reduce costs. Since 1974, the number of PCS moves has been reduced by 53 percent and the average time on station between operational, rotational, and unit moves has increased by 108 percent.

Despite these efforts, PCS costs have increased by 219 percent. Fiscal year 1984 PCS program funding is approximately $124M higher than fiscal year 1983 because of increased move requirements to support strength builds between fiscal year 1983 and fiscal year 1984. Transportation rates and the inclusion of funding for Temporary Lodging Expense also drive up fiscal year 1984 requirements.

The increased cost of moving directly affects Air Force people and their families. The lack of adequate PCS reimbursements is one of the most critical personnel issues facing the Air Force today. To illustrate, a 1982 Air Force survey revealed that, exclusive of home ownership costs, for every $3 individuals spent on a PCS move the government reimbursed only $1. For a staff sergeant, median out-of-pocket costs were $1,120. For a captain, out-of-pocket expenses were $1,550. The situation is all the more alarming considering that over half of our members needed to borrow or withdraw from savings to meet PCS expenses—expenses incurred as a result of a government directed move.

The most significant aspects of unreimbursed expenses occur at the old and new duty locations when members are forced to pay for commercial food and lodging because of delays in departure or, more frequently, delays in obtaining permanent housing at the new duty station. Unlike Federal civilians, who are authorized up to 30 days of reimbursements for these types of expenses, military members receive no reimbursement within the continental United States for temporary lodging and subsistence. To help reduce the high cost of making a PCS move, the fiscal year 1984 budget proposes implementation of a CONUS Temporary Lodging Expense (TLE) entitlement of up to four days, not to exceed $110 per day, as authorized by the fiscal year 1982 Pay Bill. Funding for this improvement is urgently needed.

To further reduce out-of-pocket expenses, the fiscal year 1984 budget also proposes the following PCS improvements which require authority and funding.

Dependent Student Travel—one round trip per year for dependents of members assigned overseas to attend secondary or undergraduate college (provided Federal civilians in 1980).

Vehicle Storage—store privately owned vehicles during tours to foreign areas with vehicle shipment restrictions (e.g., Japanese emission control embargo).

Second Dislocation Allowance—to offset double household expenses resulting from change in orders (e.g., member reports to Dover Air Force Base and, after setting up household, orders are changed to McGuire Air Force Base).

In summary, the Air Force has significantly reduced the number of PCS moves and will continue to look for cost effecient options. However, expenses associated with a PCS move are an integral part of the mission—a cost of doing business—which should be borne by the government and not our members. In light of the proposed fiscal year 1984 pay freeze, we urge Congress to support our request in the fiscal year 1984 budget to reduce the "negative compensation" associated with PCS moves.

Bonus programs

The fiscal year 1984 budget contains funds for continuing bonus programs. The Selective Reenlistment Bonus (SRB) is designed to increase reenlistments in those critical skills where there are insufficient reenlistments to sustain the career force. The SRB is needed to meet growing requirements in critical skills and to replace the loss of experience caused by low retention in the late 1970s. Without the bonus, many of our most highly trained and experienced people would not reenlist, further impacting on existing critical skill shortages. Historically, we find that there is a 10 to 20 percent improvement in reenlistments when a skill begins to receive a SRB.

Because it is a highly effective and flexible force management tool, we carefully manage the SRB program. SRB skills are reviewed at least twice a year. Since January 1982, 57 bonus zone multipliers have been terminated or reduced and 9 skills have been deleted from the bonus list. During the same period, we added or increased 18 bonus zone multipliers and added two skills to the list. We are continuing to review the program and as a result of dramatically improved retention, we expect to make further adjustments.

The fiscal year 1984 SRB budget growth is due primarily to the obligated installment payments owed to individuals reenlisting after 14 January 1982. At the direction of Congress, reenlistees are paid 50 percent of the bonus in a lump sum with the remaining 50 percent in annual installments.

The Enlistment Bonus (EB) program for fiscal year 1984 applies to only four skills. Three of the four skills demand highly intelligent people who must complete long, demanding training courses, the fourth (explosive demolition) is one of our most hazardous skills and has a very high training attrition rate.

The SRB and EB programs will terminate on March 31, 1983, because of language contained in the Continuing Resolution Authority. The Air Force strongly urges formal extension of the bonus law beyond 31 March in order to continue these invaluable recruiting and retention incentives.

The third bonus program requiring funding in fiscal year 1984 is Engineering and Scientific Career Continuation Pay (ESCCP). This program was authorized in the Uniform Services Pay Act of 1981 and implemented on 10 September 1982 to enhance the Air Force's ability to attract and retain engineers. Over 90 percent of those eligible accept the bonus and as a result, engineer (4–11 year groups) continuation rates have increased from 47 percent in fiscal year 1981 to 57 percent at the end of fiscal year 1982.

CHAMPUS program

Our major concern in the CHAMPUS area continues to be the program's growing cost. This growth is due primarily to rapidily escalating private sector health care costs (17–22 percent increase in hospital costs and a 10–12 percent increase in doctors' fees) and a 12 percent CHAMPUS utilization increase in fiscal year 1982. Recognizing this, the Air Force is actively working to contain CHAMPUS cost growth.

The Health Professions Scholarship Program has been a very positive factor in providing trained medical specialists to reduce this CHAMPUS load. With its continued input, the Air Force will be able to develop a quality force of health care professionals with the potential to recapture the majority of CHAMPUS costs. We emphasize the importance of supporting this program.

Some have recommended the imposition of an outpatient fee for care provided in military treatment facilities as a way to reduce CHAMPUS costs. The Air Force strongly opposes such a fee. Out concern is that members separated from their families, particularly those assigned to remote overseas tours, would no longer have the sense of security that, regardless of their financial status, their families will receive timely health care when needed. More important, the imposition of a fee for medical care could force many to defer needed care due to a lack of funds. Hardest hit by an outpatient fee would be the dependents of junior enlisted members in pay grade E–4 and below who must use their limited resources for food or other essentials instead of medical care. An outpatient fee would also increase dissatisfaction with the military health care program resulting in even greater use of CHAMPUS.

The compounding effects of an outpatient fee, the fiscal year 1983 pay cap, the proposed fiscal year 1984 pay freeze, and recent changes to the retirement system will undoubtedly affect morale, recuiting and retention. Ultimately, readiness will suffer. Therefore, we actively support and urge continued efforts within the Department of Defense to return significant numbers of CHAMPUS beneficiaries to the Direct Care System.

Educational incentive program

The services have long viewed an educational incentives program not only as necessary for manning the All Volunteer Force (AVF), but also as an institutional incentive for military service. However, the Vietnam-era GI bill terminated in 1976, and its replacement—the Veterans' Educational Assistance Program (VEAP)—has proven ineffective. After six years, less than 6 percent of eligible Air Force members are participating.

While the improved recruiting and retention environment and existing budget constraints offset the immediate need for a new educational incentives program, long term recruiting and retention will be best served by the development of a noncontributory program. Therefore such a program will be essential if and when economic recovery results in lower unemployment rates. Pending development of such a program, the Air Force supports extension of the benefits of the Vietnam-era GI bill beyond the current 1989 deadline.

Quality of life/Air Force families

Meeting family needs contributes positively to productivity, mission effectiveness and retention. For most Air Force people, the family plays the dominant role in the decision to remain on active duty or separate from the Air Force. Base-level Family Support Centers (FSC) serve a critical role in meeting the needs of Air Force families. In fiscal year 1984, 34 FCSs will be in various stages of development and operation. Full implementation, with an FSC at each major base, is expected in fiscal year 1988.

After only 6 months of operation, our five prototype Family Support Centers have shown a positive impact on our people. The centers are helping commanders handle tough, time consuming family related issues and are helping eliminate long-term, recurring problems for some families. Forty percent of the Air Force members and spouses at bases with FSCs state they would use a Family Support Center and over 80 percent of the FSC users report satisfaction with their usage.

Drug/alcohol abuse control program

The Air Force continues to work to reduce the adverse effects of drug and alcohol abuse on the mission and on our military, civilian, and family members. The objectives of the drug/alcohol abuse control program are: prevention of abuse, rehabilitation and discipline of identified abusers, and discharge of those who cannot or will not be rehabilitated.

Our alcohol abuse programs continue to receive strong emphasis. Efforts to reduce the impact of alcohol abuse include awareness and education programs, aggressive identification producers (including DWI programs), and effective treatment for members who become alcohol impaired.

Marihuana use by junior enlisted personnel is our most prevalent illicit drug problem. Marihuana abuse has accounted for more than 84 percent of our illict drug abuse identifications for the past 3 years. Urinalysis testing for marijuana use is becoming a more credible deterrent against drug abuse and will increase the number of abusers detected. During October 1982, the Army and Air Force began operating a joint drug testing laboratory system with the goal of providing rapid turnaround and accurate results to commanders. The new laboratory system will enhance our commanders' ability to deter drug abuse by allowing them to use certain urinalysis results to support disciplinary actions and for administrative discharges.

The Air Force intends to continue being the lead service within DOD in fighting drugs and alcohol abuse.

Training

The Air Force has made a major effort to provide better technical training to new recruits before sending them to their first duty assignments. However, Air Force initial skill training courses are still showing the combined effect of the massive training reductions of the 1970s and the rapid influx of advanced technologies associated with the acquisition of new weapons systems. New personnel entering highly technical Air Force specialties must have the ability to perform system diagnostic tasks on new equipment, which can be mastered via the firm theoretical knowledge base gained while in residence at Air Force technical training centers.

Morale, welfare, and recreation programs

Commanders at all levels continue to recognize the strong positive effects that Morale, Welfare, and Recreation (MWR) programs have on retention, mission accomplishment, drug and alcohol abuse, and the quality of family life. A recent Air Force-wide study on the effect of MWR programs on morale showed that the "MWR Package" is not just a nice-to-have benefit; rather it is a critical part of the overall Air Force way of life. The study illustrated that MWR programs are a major contributor to better retention acting as an "adhesive" holding Air Force people together by creating unit pride and camaraderie. This is especially critical overseas where language barriers and different customs preclude assimilation of most of our people into the local community. The presence of MWR programs and facilities gives our young enlisted people a positive alternative to drug or alcohol abuse. These programs also provide reasonably priced leisure time activities that our people could not afford on the local economy. The moral and welfare of our people directly impact on force readiness and productivity. For that reason, our programs must be maintained and in fact strengthened.

MANAGEMENT IMPROVEMENT INITIATIVES

The Air Force has always been proud of its everyday good management and high standards. For years, Air Force people have been leaders in training, management innovation and the creation and acceptance of new concepts. Effective, aggressive and economical programs have always been important to the Air Force and the public it serves. On December 8, 1981, the Secretary of the Air Force announced a new Air Force-wide initiative—the Integrity and Management Improvement Program—described as "an umbrella for many existing oversight, cost awareness, and incentive programs, adding new management emphasis and crossfeed to obtain efficiencies at all levels of the Air Force.

Manpower and personnel managers throughout the Air Force fully support the initiative announced by Secretary Orr and look with pride at the actions already taken to improve management of Air Force resources. For example:

During fiscal year 1982, Air Force people submitted 90,796 suggestions saving more than $97 million. Since 1980, the Air Force Suggestion Program has produced a ratio of dollars saved to dollars spent of 20 to 1.

The Productivity Investment Fund (PIF) program buys or leases equipment and facilities valued at $100,000 or more with a 4-year payback. Since the program began 3 years ago, 34 projects with life-cycle savings and cost avoidances of $865 million have been approved by OSD. These projects are expected to generate a return on investment of over 7 to 1.

The Fast Payback Capital Investment Program (FASCAP) provides money for equipment valued at less than $100,000 with a two-year payback. In 1980–1982, FASCAP projects with more than $105 million in life-cycle savings were initiated. These brought a return on investment of almost 8 to 1 for the Air Force.

In fiscal year 1981 and 1982, the Air Force recalled to active duty 338 pilots, 112 navigators and 192 support officers whose training would have cost the Air Force an estimated $192 million to attain the same level of experience.

In fiscal year 1982, the Air Force accessed more than 4,330 enlisted members with prior service who were directly assignable to skills without the need for basic or technical training.

Air Force recruiting costs per accession in 1982 were the lowest of all the Services and approximately 50 percent below the DOD average. Our total recruiting objective for fiscal year 1984 increases by 17 percent, yet we are requesting only 5 percent real growth in the budget to handle this workload.

Several programs have been implemented to reduce PCS costs and turbulence. For example, over 20,000 Air Force people voluntarily extended their overseas tour in fiscal year 1982. As a result, the average time-on-station between operational, rotational and unit moves has increased 107 percent since fiscal year 1974—from 23.7 months to 49.0 months.

The Personnel Data System (PDS) has been the most significant factor in improving Air Force personnel support over the past 20 years. The PDS has improved the flow of information between management levels and provided better access to information for decisionmaking. In implementing the PDS, the number of base-level personnel offices has been reduced from 2,700 active duty military personnel offices to 122 today. Active duty military personnel staffs were reduced by 57 percent while the active force was reduced only 35 percent during the same period (1960–1980).

Since fiscal year 1980 our cost comparison program since fiscal year 1980 has studied 5,500 spaces of which 4,000 were converted to contract with an overall cost avoidance of $274 million.

The sense of pride and responsibility imbued in our people has produced and will continue to produce real savings, lowered costs, and increased capability to do our job. We continually reevaluate the work place and the job; remain alert for and open to innovation; and accept no less than top performance. In summary, the Air Force is fully sensitive to our responsibility to the nation to spend our allocated resources efficiently.

CONCLUSION

In conclusion, Mr. Chairman, and members of the committee, as we look to this new year, we must not forget the lessons of the past. Many of the conditions that existed in the 1970s again exist today. To preclude history from repeating itself, it is essential to identify those social, economic and demographic factors that may adversely impact the Air Force and develop programs to overcome or at least temper the detrimental effects of the external environment. How well we are able to respond to this challenge will ultimately determine our ability to effectively carry out the Air Force mission to fly, fight, and win.

MILITARY PAY

Senator **Jepsen**. Mr. Secretary, here in the March 14 "Army Times" I note that it says, "In explaining the administration's latest position on military pay, Korb said that the service shifted away from comparability in 1981 after an across-the-board raise of 14.3 percent had been proposed. He said they asked Congress to target the 14.3 percent raise to allow bigger increases"—that is not quite the way I remember it, but in any event—"for middle grade and senior personnel and small raises to the junior ranks."

Do you believe in general principle that the military pay should be comparable to that in the private sector?

Dr. **Korb**. I think that you need a standard by which we measure what military pay should be. I think to the extent that we can, we should try to meet that standard.

When circumstances arise—as they have for example in the past year—where the President was confronted with a situation in which he, facing a large budget deficit, decided to freeze the pay of all people working for the Federal Government as well as people drawing various forms of entitlement, then I think that we have to recognize that it is a sacrifice.

This is why Secretary Weinberger has mentioned that he will try to make it up in next year's budget because he recognizes that we have fallen behind the standard.

I would also like to point out that the administration in its first 2 years in office, the first year proposed a comparability raise for everybody. It interviewed the Congress and it said, "No, something was more important than comparability." So, they decided to target the pay raise in that in a sense it did not achieve comparability for junior enlisted people.

Last year we proposed again to keep it comparable. Congress because of pressures facing them with the size of the deficit decided not to give comparability but only half of comparability.

Senator **Jepsen**. Well, can you realistically compare the military with the private sector? If you can, what elements of military compensation should be included in the comparison?

Dr. **Korb**. Of course, this is the problem that has bedeviled us since 1967. Congress decided to make the pay of Government workers comparable to pay in the private sector and they chose the index, the so-called PATC—Professional Administrative Technical and Clerical Index. Then Chairman Rivers of the House Armed Services Committee tied military pay to civilian pay, which is in turn tied to the Professional Administrative Technical and Clerical Index.

In 1972, when the Gates Commission was recommending the establishment of an All-Volunteer Force, they increased the pay of junior enlisted people at that time and everybody assumed that comparability had been achieved.

The Gates Commission really did not talk about comparability, they talked about competitiveness. Over the next decade the two terms got mixed up.

We had the Military Manpower Task Force. The services recommended to us the adoption of another index, a separate index of military pay, the so-called Employment Cost Index. I would expect that some time this year we will be forwarding legislation to the Congress to use that as a standard for military pay rather than PATC.

The other part of your question goes to the whole thing of measuring pay because military pay is not only in terms of dollars: a lot of it is in kind. We have a similar problem with the pay of civil servants. In the late 1970's, in the previous administration, there were studies that were done that said the Government was not comparing the pay of civil workers correctly to the PATC because it came in various forms of compensation.

What you have is a situation where it is very difficult to determine what is exactly fair. The Employment Cost Index covers many more military jobs than the PATC did. But whether in fact we are comparing all of the various ways in which military compensation is paid to any index is a very, very difficult thing to measure.

I might say, the key thing we have to keep in mind in any pay system is that you have to do two things: You have to be both fair and competitive. You need to be fair because you have an obligation to the young men and women you ask to sacrifice for you. You also need to be competitive so that, as General Iosue pointed out, you can keep the skills that you need for defense.

Right now, as you probably know, we have a quadrennial review of military compensation, the fifth quadrennial review, in which we are trying to get a handle on the whole pay system to see if it is achieving its desired objectives.

Senator JEPSEN. Well, you know, we have had a lot of discussions about E-1's and E-2's and the fact that the recruits—as I pointed out in my opening remarks—in our military get $575 a month-plus when they start. A 17-percent increase, is that correct, in the first year going from E-1 to E-3? Isn't that a 17-percent pay increase?

Dr. KORB. That is correct.

Senator JEPSEN. Do you know of anything in the private sector tht parallels that?

Dr. KORB. Well, I know of certain things in the private sector. Again, a lot of times it depends on your performance. I know a lot of people who are doing a job and get promoted quite rapidly because another position opens up.

But I think you are hitting the essential of the dilemma. What we are trying to decide here is what is fair and again, it depends on what you measure it for and is it competitive.

I would say that if we continued over a long period of time—for whatever reason—to depress the pay of junior enlisted people you would then reach a point where you would not be competitive in growing the high-quality people that you want.

It is also important to keep in mind that Congress has placed very, very severe restrictions on the people that we can take.

No service, for example, beginning in fiscal 1983, can take more than 20 percent people in category IV. This means that the services have to recruit in a declining population from a smaller and smaller part of the other population. So, if you continue—for whatever reason—to depress the entry level pay, unless you compensate for it in other areas like bonuses or educational benefits, you could run into a problem.

MILITARY PAY BILL

Senator JEPSEN. I want to give my colleagues a round here.

Could you make one brief comment about the military pay bill that Senator Tower and I have introduced, giving all military personnel except recruits and new officers a 4-percent raise on April 1. Do you have any suggestions how that bill could be improved without substantially increasing its total cost?

Dr. KORB. Mr. Chairman, again I think what we have to keep in mind here is the purpose of the bill. If the purpose is mainly to be competitive, then I think that the bill achieves its objective. If you are talking about the fairness, I think you ought to give the raise to everybody.

Senator JEPSEN. Do any of the other witnesses have any comment, would care to comment on this?

General THURMAN. I would like to say from the "green suit", Army, standpoint that we support the targeting. We would make a slight modification on the proposal that you have in your bill toward the point that General Iosue made earlier. That is, that for the people with high skill and the noncommissioned officer fleet at the grades E–5, E–6, we would see raising them a little bit, to about 5 percent, as opposed to the 4 percent that you recommended in your bill. We support targeting.

Senator JEPSEN. General Iosue?

General IOSUE. Sir, you know in the past when that question was asked, we wanted across-the-board pay raises. I would opt now for targeting for a couple of reasons.

One is that you save money in targeting, it costs you less. In the past year we have been forced to absorb a good portion of a pay raise. I am fearful that the same thing will happen in 1984.

Two is that the individuals who do not receive a raise will pass through the period very quickly. An E–1 and E–2, 12 months later will pick up a pay raise as an E–3. After another 18 months or 2 years you will find that the E–1 will have progressed in rank to E–4 and therefore pick up another raise.

So, I would say that, given the structure that you now have, I would support the limited targeting that you have proposed. I would not support excluding officers completely or just giving a raise to enlisted personnel because of the inequity. I think it should be for enlisted and officers.

Senator JEPSEN. Admiral?

Admiral ZECH. Yes, sir, I would just say that the proposal itself is a form of targeting which the Navy has fairly well consistently supported. I think we would perhaps prefer a little higher percentage to the more senior enlisted people in particular because of our

Navy petty officer shortage. I think the proposal would be considered, as far as I am concerned, very acceptable.

Senator **Jepsen**. General Cooper?

General **Cooper**. Sir, reflecting on General Iosue's remarks, the Marine Corps has traditionally supported an across-the-board pay raise because we have a large percentage of very junior people, both in the officer and enlisted grades. But, recently we have had second thoughts. We realize that a targeted pay raise is less expensive, that we will probably be forced to absorb some of that pay raise, and that junior personnel pass to the next higher grade rather quickly. Thus, targeting supplies an incentive. We have consulted with our field commanders to get their opinion on this matter. From the responses that we have received to date, they concur with targeting.

So, the Marine Corps is now a little more flexible on this matter, sir, and would generally support provisions of a targeted pay raise that excludes the two junior enlisted pay grades and the junior officer grade. We feel the officers should be included in the pay raise.

Dr. **Korb**. Mr. Chairman, if I might add, I think it is very important that whatever Congress, this committee, does that we not be forced to absorb pay raises because what happens is that you might cure one problem but you are going to create another problem.

For example, last year the Congress forced us to absorb 25 percent of the 4-percent pay raise. That has created shortages in a lot of the other personnel accounts and has caused problems. For example, I know the Navy had some problems with their PCS money on account of this.

So, I think that this is very important to keep in mind, that the committee not solve one problem and create another.

Admiral **Zech**. I would like to support Secretary Korb in that regard, Mr. Chairman. It would be very difficult for the Navy to absorb such a pay raise. I think it should be funded fully by Congress.

Senator **Jepsen**. Senator Thurmond?

Senator **Thurmond**. Thank you.

I might say that I was pleased to join as a cosponsor, Senator, with you and Senator Tower on that bill. I think it will be very helpful.

I have just a few questions here. I will start with General Thurman since he has the same name as I have but spelled a little different.

General **Thurman**. I have been trying to change mine for a long time, sir. [Laughter.]

Senator **Thurmond**. Well, thank you. It really is the same original family. So, I am glad you made lieutenant general.

General **Thurman**. Thank you, sir.

Senator **Thurmond**. On your own. [Laughter.]

REGIMENTAL SYSTEM

General Thurman, I think that the Army's plan for the regimental system is outstanding. I know that many platoon-size elements have been deployed overseas, with company-size elements scheduled for deployment this year.

What are the Army's plans for deploying larger units, such as battalions or brigades?

General **Thurman**. On the battalion side, we are moving up a unit at Fort Campbell. The Chief of Staff has given us authority to begin working on that.

So, we are commencing the program to overcome 40 years of the individual replacement system, the one that we have operated on since World War II.

We have found that there are only about 105 different personnel policies which are embedded in the system which impede our implementing a unit relacement system. So, we are trying to implement that system in a reasonable, progressive way. This is our eleventh try at going to unit replacement operations. The previous 10 failed because they did not get at the substantive issues of personnel policies that underlie how we operate our system.

So, we are getting ready to move up to a battalion level system next year and we are continuing to expand both our company and platoon packaging system.

TOURS OVERSEAS

Senator **Thurmond**. Thank you.

In my travels overseas—and the last trip I took was to Germany the day after Christmas—I have always been interested in the problem of unsponsored dependents overseas. I would like each service representative to comment on their service's plans for dealing with this problem. If you can just quickly start, General Iosue.

General **Iosue**. Sir, we have looked at unaccompanied tours versus accompanied tours and we have found in the long run that the accompanied tours serves the Air Force better. We have found that there are some savings in unaccompanied tours because we do not have the facilities and the travel of dependents.

This is offset, however, by the fact that when you send individuals unaccompanied, separated from their families, you pay a very, very heavy price in retention. People are reluctant to go. There are also disciplinary problems associated with unaccompanied personnel.

We do have unaccompanied tours, but very few. Where it is possible, we prefer accompanied tours. We find we have continuity, and we find that our number of PCS moves is cut down because individuals with their families stay longer. For example, in a 36-month tour area, which is accompanied, we find that that average tour length goes to 45 months. So, that does decrease the cost.

It increases the stability and decreases the disruption. We pay a heavy price in retention when we separate individuals from their families. We have found that the most onerous thing our people face is family separation. When we lost large numbers of people in 1977, 1978, and 1979, we asked what the number-one internal factor was. They stated that it was family separation.

SHORTAGES IN NCO'S AND PETTY OFFICERS

Senator **Thurmond**. Thank you.

Several years ago each service was experiencing severe shortages in senior noncommissioned officers and petty officers. I understand that these problems have been improved upon but are not quite solved.

How are you going to fill future shortfalls in these grades with planned expansion of end strength when current shortages have not been alleviated? I would like to hear the views of each service representative on that.

Admiral **Zech**. I will be pleased to lead off on that one, Senator Thurmond. As far as the Navy is concerned, as you well know, our petty officer shortage was very severe in the 1980 timeframe. We had a 22,000 petty officer shortage.

In 1981, we added 6,000 more petty officers than we had in 1980. However, because of our force growth, the petty officer shortage itself remained at 22,000.

From 1981 to 1982, however, we were able to significantly decrease our petty officer shortage. The requirements for petty officers grew by 9,000 at the same time that we were able to increase the petty officer ranks by more than 13,000. So, the net result was that we decreased that 22,000 petty officer shortage to a little under 18,000.

Senator **Jepsen**. Is that from reenlistments?

Admiral **Zech**. Yes, sir, that is from reenlistments.

Senator **Jepsen**. So, the 13,000 figure came from the new and reenlistments.

Admiral **Zech**. The total number of petty officers increased by 13,000 in 1982 over 1981. Therefore, we were able to reduce—even though growth was 9,000—the petty officer shortage by 4,000.

We are projecting that, if we can maintain the retention figures that we have now, as we grow our Navy we can indeed decrease our petty officer shortage at the same time so that between about 1988 to the 1990 timeframe we will achieve our 600-ship Navy and at the same time reduce the petty officer shortage to zero.

The selected reenlistment bonus programs in effect right now and the other compensation programs have assisted us in curing our petty officer shortage. We are on the right track now and it is a healthy situation.

Dr. **Korb**. If I may, I would like to point out one thing, that over the last 2 years the size of the active force has grown by about 2½ percent. But the number of petty officers and noncommissioned officers has grown by 5 percent. The number of people with more than 4 years service has grown by almost 9 percent.

So, much of the growth in our experience is in the career force where, as you correctly pointed out, we had these shortages.

But I think your question also emphasizes the fact that we had a severe problem and we need to continue to work on it. We are going to need the tools that the Congress has given us, particularly the reenlistment bonus.

Senator **Thurmond**. Thank you. I would be glad to hear from the others on this.

General **Cooper**. Sir, if I may add, the aging of our career force has been the key point of our success in increasing senior NCOs. We made a concerted effort in retention and reenlistments in selected skills to age our force somewhat. As you know, the Marine Corps traditionally has been the youngest of the services in average age because we have a preponderance of junior enlisted and officers.

We have a career force, officer and enlisted, of about 36 percent and are improving in the middle grades where we had our difficulties—at the staff sergeant and the gunnery sergeant level.

We have added in excess of 2,000 staff noncommissioned officers in fiscal year 1982 and, as Dr. Korb pointed out, the aging and expansion of the career force is where we have concentrated our retention efforts and we have been successful, sir.

Senator **THURMOND**. Thank you.

General **THURMAN**. Speaking for the Army, sir, in 1979 we were 16,000 noncommissioned officers short. This year, we are only raising the end strength by a very small amount in the active component. But, by the end of 1983, we should be only 700 noncommissioned officers short. Those are in the intelligence and electronic warfare fields.

So, we have essentially eliminated the entire noncommissioned officer shortfall. We will be tangent by the end of the year, thanks to the help of the reenlistment bonus which—as I indicated before you came in, sir—expires on March 31 unless we change the legislation.

Senator **THURMOND**. General Iosue?

General **IOSUE**. Our situation parallels that of the Army. We were short some 11,000 NCO's in 1981. We have pared that shortage down to about 7,000 today and, given the current retention climate, we should get that down to about 3,000, despite the growth in the Air Force, in 1983.

This has been accomplished as I mentioned, through the use of the selective reenlistment bonus. In addition, we have come up with a two-tier promotion system providing a better promotion opportunity for those in chronic critical skills.

We have also increased our prior-service recruitment which brings on board experienced personnel to fill some of the gaps that we have.

Senator **THURMOND**. Thank you. My time is up, Mr. Chairman.

Senator **JEPSEN**. Thank you, Senator.

Senator Warner?

CUTS IN DEFENSE

Senator **WARNER**. Thank you, Mr. Chairman, for permitting me to participate in the hearing of the subcommittee.

Gentlemen, my concern is the probability that the Congress is going to pose cuts in defense. The leader of the Republican Party in the Senate, Senator Baker, has indicated a figure of $14 to $15 billion.

The Budget Committee now is struggling with figures in that area and it seems to me it is incumbent on those of us in the Armed Services Committee to try and study all options.

I have supported the President's buildup, I will continue to support the President's buildup. But I feel it is my responsibility—individually and collectively with my colleagues on this committee—to study all options.

Now, as you well know, our defense budget has five basic components, personnel being one, modernization, readiness, sustainability and RDT&E.

In a previous meeting of this subcommittee I posed the question that if in fact these cuts come, how would you divide it up as to the least degradation on our overall military posture if it would result in further cuts?

I think there was a general consensus that if they have to come, it should be spread as evenly as possible.

Now, the question I have for you is—and I have addressed it to you, in prior consultations the option between reducing the pay and benefit package that we have struggled to build together against a freeze in end strength. I have had a small part in this effort. I think we have achieved considerable progress in that area.

So, I am going to ask which, in your judgment, would be best? But I would like to say, gentlemen, that this question is posed in all sincerity. Our Nation is facing a situation which it has never faced before. It took 200 years to accumulate 1 trillion dollars worth of debt. Under the current projections, in 5 more years we will accumulate the second trillion dollars worth of debt.

We work around here with respect to the Soviet threats and other threats to our country. The Secretary of Defense put out a very useful document this week. But let me tell you, in our assessment of the impact on this country of the second trillion-dollars worth of debt in the next 5 years, that is one that nobody can answer, at least not to my satisfaction.

So in this budget situation, in all seriousness, I am trying to prepare myself as a member of this overall committee to see what we can do that has the least degradation.

So, my question to you, if faced with taking a part of this in the personnel account, you can take it in pay and benefits, or some option which I have asked the chairman of this committee to look at—either a freeze in active duty strength or some modest reductions spread over the coming fiscal year, hopefully with a commensurate buildup in the Guards and Reserves.

General Iosue?

General **Iosue**. Sir, that is a very difficult question.

Senator **Warner**. I have asked it before.

General **Iosue**. You have. It is like asking me whether I would like to be beaten to death with a billy-bat or a lead pipe.

I find it very difficult to answer because the effect is the same. If you cut people, you will have weapon systems going unmanned. If you cut pay, it is going to have an effect upon retention and you have the same results, weapon systems going unmanned.

Our growth in the Air Force is programmatic; it is not arbitrary. It is based upon getting more F-16's, more F-15's, the KC-10, the MX, the B-1, the ALCM, the GLCM, and it is based on readiness.

We have growth of 20,000 in fiscal year 1984 which represents about 3 percent growth. So, if you cut 10 percent or 30 percent or 50 percent of that growth, you are in essence saying, "I am going to let an F-15 squadron, and F-16 squadron or the GLCM go with x percent less manning."

So, it is going to have an effect upon our readiness. We have looked at transferring more missions to the Reserve Forces. We have a sizable Reserve responsibility now, with large percentages of the missions in airlift, tanker, and intercept, operations being performed by the Reserves. They are growing in the next 5 years by some 15 percent, about the same as the Active Force is growing.

So, we think we have a good balance between the Guard, the Reserve, and the Active Force. I am not sure you save much money by transferring missions to the Reserves. If you take a look at the facilities, and if the Reserves must do the same peace-time job that the active must do, I think you have a lot of false savings. You need to look very carefully at that. So, you are not going to recognize a lot of savings that way.

But if you pin me against the wall and say, "I am going to cut 10 percent, I am going to either cut your end strength by *x* percent or it is going to come out of pay," I would say, for 1 year go ahead and take it out of pay. I would accept a zero pay option versus any cut in manpower.

Senator **Warner**. General Thurman?

General **Thurman**. The Army, as you know, has a very slight increase in end strength. We are up 2,000 people over this year's 780,000. The Army has essentially stabilized its end strength over the past several years. Last year we had an end strength of 780,000, this year it is 780,000; next year it is 782,600.

In the Guard and Reserve, those two end strengths are also stabilized, about 4,000 in each of those and they are for full-time manning for the purpose of increasing readiness.

I would suggest to you that as you look at the Army where we have about 45 percent of our forces serving overseas, you are now getting into the strategy situation. If indeed you took a force structure cut, even though we have a relatively stable end strength, you have to determine how you would take that cut.

As I indicated to you before, we were some 16,000 noncommissioned officers short only 3½ years ago. That has been repaired through the efforts of this committee and the hard work of people in the field.

So, I believe we have met your guidance on freezing end strength.

Senator **Warner**. Admiral Zech?

Admiral **Zech**. Senator Warner, I would just say that from the Navy standpoint it seems to me it is a very large question which has to involve our national commitments. Our Navy is structured to meet those national commitments. Unless we do away with some of those commitments we need the Navy that we have structured.

As far as this particular year and as far as the manpower situation is concerned, I do not think we should take any cuts. We have testified earlier that as far as the pay freeze goes, our people do not like it, but I think they are willing to accept it to do their fair share. If there are any cuts that we have to take at all in manpower, I think that the pay freeze would be sufficient. Other than that, I think we should take no further cuts.

General **Cooper**. Mr. Warner, I certainly appreciate the difficulty that you are wrestling with and I share your dilemma. But I will have to echo my colleagues here.

Essentially, if I could use a parody, I kind of feel like an old football player—which I was—who has had a bad knee; and after a lot of therapy and hard work I have gotten it back, good as new, and am ready to play the game. I feel that if we start toying with force structure this game is going to be postponed or we will not be fit to play. We have worked long and hard to get quality, to carefully close on our critical skill shortages and improve our combat readiness. We too, although not pleased with the lack of a pay raise, feel that this is the sacrifice that we would put up front, sir.

ACTIVE MILITARY VERSUS GUARD AND RESERVE

Senator **WARNER**. Secretary Korb?

Dr. **KORB**. I would like to put this whole question into context. The President, when faced with this choice, decided that he would opt for a pay freeze for 1 year and the Secretary of Defense feels—and I agree with him—that if we make up all or part of it in 1985 we will minimize the impact.

But I would urge that the Congress in their deliberations consider a number of factors. First of all, since this administration has been in office, Guard and Reserve end strength has risen both in absolute and percentage terms more than the active. For example, Guard and Reserve end strength, as I mentioned in my opening statement, is up by 160,000 or 18 percent, while active end strength is up by 115,000 or less then 6 percent.

Our projections over the next 5 years assume a larger proportional growth in the Guard and Reserves. So, I think we are already moving in the direction which you suggest. When one is making decisions between Active and Reserve, one ought to consider at least five factors.

First of all, as has been mentioned by some of the flag officers here, we have a large number of forward-deployed forces, approximately 35 percent. These include people overseas or at sea.

We have a CONUS base which is involved full-time in training, supporting headquarters, communications, and other activities for both Active and Reserve. It is very difficult to put either the forward-deployed or the CONUS based—which has to be full-time—in the Reserve component.

The third thing to keep in mind is a rotation base. You cannot demand that a young man or young woman in the active force be away all the time. For example, an E-5 tank crewman spends about 44 percent of his time in Europe. If you diminish the rotation base, say, by putting on more division into the Guard and Reserve, you would decrease from about 19 months to 17 months the time that this young man could spend in the Continental United States between deployments, and this causes a retention and morale problem. Most importantly, I think we have to take a look at readiness. That is our main goal. We have many Guard and Reserve units which get equipment ahead of active units because they deploy ahead of them. But some units in the Guard and Reserve cannot deploy that quickly. If you make a transition from Active to Reserve you are going to have an impact on readiness because readiness of Reserve units does not increase—I might say—decrease as fast as that of active units.

So, any type of direction the Congress might provide us has to be phased in over a long period of time.

The final thing is that the Reserve and Guard are constrained by demography. You might decide a mission can and should be performed by a Guard or Reserve unit, but then we have to take a look at the demography to see if we have the skills that we need to perform that mission in a particular area. All of these should be considered by the Congress, as they are by the executive branch, when we make our decisions.

Senator **WARNER**. Thank you, Mr. Chairman.

REENLISTMENT BONUSES

Senator **JEPSEN**. Secretary Korb, all the services report that the shortages of noncommissioned officers with critical skills are smaller in recent years. General Thurman indicated that the problem is nearly resolved for the time being in the Army.

At the same time, however, the money spent on new payments for reenlistment bonuses grows from $386 million in fiscal year 1983 to $443 million in fiscal year 1984. Am I missing something? Why is this? How do you explain the growth of $57 million in new payments when the NCO shortages are diminishing?

Dr. **KORB**. I think there are a couple of factors that you want to keep in mind, Senator, on this. First of all, while the shortages are diminishing they are not yet eliminated and you want to keep from increasing the shortages again because this is how we got into the box in the first place.

The other thing is that the growth between 1983 and 1984 looks large because of the fact that the Congress in December cut back the amount of the selected reenlistment bonus quite substantially when in fact we were already doing our 1984 budget. We were not aware that we were going to get that cut.

So, what we are saying is not that 1984 has grown a lot, it is that 1983 was cut and actually is causing us some problems already.

I would also like to point out to the committee that we understand that the intent of the Congress in this particular area is to insure that we do not pay the bonuses where they are not needed, and we have cut down in terms of the number of skills and the multipliers quite substantially.

For example, if you take a look, in 1981 the number of skills overall for the Defense Department was 672, in 1982 it dropped to 618. So, what we are saying here is that we do cut them down as we find that the problem skills are alleviated.

I would also like to point out, and I think the services were talking about the fact that while they have cut down the overall number of problems, there are still some in selected areas. In other words, what you are saying is, in the aggregate the NCO shortage and the petty officer shortage might be less, but that masks the fact that in certain skills you do have those particular shortages.

So, we feel that this request is justified. We would have liked to have seen a little bit more in 1983, and that the growth appears larger than it should have been because of the rather severe cutback we suffered in 1983.

Senator **JEPSEN**. What percentage of reenlistees get bonuses?

Dr. **Korb**. In terms of the number of percent of skills, in 1981 33 percent got it; in 1982 it was down to 31. Do you want it in terms of the percentage?

Senator **Jepsen**. Of all first-term reenlistees.

Dr. **Korb**. Let me see if I can break it out because we provide not just the first-term enlistees——

Senator **Jepsen**. If it is not readily available, provide it for the record. I mean, we have the earmarks here of another example of a program that was put into effect for a short-term fix or immediate need, and it is designated as something now that is going into an institutionalized benefit that cannot be turned off. It seems to me just 4 years ago bonuses amounted to about $250 million. I believe it is over $1 billion today; is that correct?

[The information follows:]

REENLISTMENT BONUS RECIPIENTS

The percentages of first term reenlistees who received the Selective Reenlistment Bonus in fiscal years 1981 and 1982 are:

	Fiscal year 1981	Fiscal year 1982
Army	43	44
Navy	58	56
Marine Corps	64	79
Air Force	57	56
DOD total	52	57

Dr. **Korb**. The reenlistment bonus in our 1984 proposal, the estimate is $623 million.

Senator **Jepsen**. Well, let us make sure we get this in the record; either I have bad information or you do. My information indicates it is over $1 billion.

[The information follows:]

SELECTIVE REENLISTMENT BONUS BUDGET

The budget for the Selective Reenlistment Bonus for fiscal year 1984 is $623.9 million. This includes $442.7 million for reenlistments taking place in fiscal year 1984 and $181.2 million for anniversary payments to members who reenlisted in prior years.

General **Thurman**. The Army number is $136 million total, of which about $31 million is for anniversary payments and $105 million is for new payments.

I would just like to comment that in the case of the Army the number of people that are eligible for reenlistment in 1984 is declining. Therefore, if you take the normal propensity of individuals to reenlist and look at the declining population, then you have to stimulate the enlistments higher than it would be if you based it only on their normal propensity.

So, my total number is $136 million.

Senator **Jepsen**. Maybe to put this in a more accurate verbal framework, the up-front bonuses, you pay only part of it. I think if you put the total bonus that is due and payable—even though you only pay part of it—you are incurring over $1 billion.

General THURMAN. The number I gave you, $136 million, is the total program for the Army in the reenlistment bonus business, $136 million.

Mr. PRINCIPI. What is the total obligation?

General THURMAN. Sir?

Mr. PRINCIPI. That is the amount you are paying out in fiscal year 1984. How much in anniversary payments have you obligated?

General THURMAN. The new payment is $105 million and $31 million obligated from previous years is the anniversary payment for fiscal year 1984. The initial payment of $105 million is one-half of the total over the term of the reenlistment. Thus an additional $105 million is obligated in the outyears.

Dr. KORB. And I think if you could take a look for the other services, if you take a look for the Navy, it is $186 million, a total of $275 million. The Marine Corps is $59 million and then a total of $77 million, this is counting the new and the anniversary. The Air Force is $91 million and $134 million.

I think what you might be getting is, if you get to a billion you are adding the two things, you are adding—as General Thurman pointed out—the $105 million which is new and the $31 million which is an anniversary. You are adding them cumulatively.

Senator JEPSEN. Well, we will take a look at it. In any event, they have been increased rather dramatically.

Dr. KORB. Again, I think it is important, Mr. Chairman, to keep in mind when we talk about dramatic increases, they actually went down between 1982 and 1983. In the current fiscal year we are actually spending less on reenlistment bonuses than we were in 1982.

In 1982 we spent $490 million total, and in 1983 the estimate is $457 million.

Senator JEPSEN. We have enlistment bonuses—not reenlistment. enlistment bonuses—in the combat arms area, every service has.

General THURMAN. I am the principal user of the enlistment bonus business and we have a total of 16,000 payments, new payments, scheduled for 1984. That is up only 1,400 from 1983.

Senator JEPSEN. I understand it is only up 1,400, but ironically enough it is a little different than when I first came to this committee in 1979. I read in the papers now where people are griping because they cannot get in, they threaten suits and everything else because you are being so selective. And yet, you are still putting bonuses up front to bring people in that are not even in the service.

General THURMAN. The only point I am bringing out is that in the mandate of the Congress to go to 65 percent high school diploma grads and to go to 20 percent category IV—which we applaud—it is because of those tools, bonuses, that you have given us that we are able to achieve those goals.

The person who is coming in would not be eligible for a bonus if he is not a high school graduate or an upper-test-category youngster; those are the people we are restricting bonuses to.

Senator JEPSEN. I have learned in the political world to refuse to answer hypothetical questions. So, I am going to pose one. I do not blame you if you do not answer it, but let me pose it anyway.

Let us pretend—we do not have to pretend, really, it may be a reality in a very short time—that we are on the way to sustained economic recovery, things are really moving. That it is not even debatable, that it is a fact.

Let us say that this economy gets to the point where it is very viable, let us say a year from now. Are you going to have the same results with the high school graduates and people trying to get into the service that you have now?

General THURMAN. I think so. The Congress has provided us with the Army education program, which is the Veterans' Assistance Education program with the kicker system. That incentive is in fact opening a new market. If we look at the "take" across all the services, the Army used to have the lowest number of upper-half-scoring youngsters on our Armed Forces Qualification Test. The Navy, Air Force, and Marine Corps all have expanded their market in the upper-half youngsters, and the Army is now approaching their standard.

The tool that you gave us is working in the marketplace. We attracted some 40,000 youngsters last year on the basis of an educational aggrandizement for service to their country.

So, I am saying that it reaches people even in a period of upswing in the economy. I have high confidence we will make the accession goal.

Senator JEPSEN. I have been advised, Dr. Korb, that you are to be at the White House at 11:30. Do you have any closing statement you would like to make? I would like to stay for a bit while we are all here.

Dr. KORB. Just again to thank you personally, Mr. Chairman, and the subcommittee, and the Congress for the support they have given us in the past and say, we want to work with you to make sure that we both have the same data, if nothing else. To tell you that we have carefully considered our manpower requirements and all of the pays and everything. We really feel they are necessary to do what we both want, and that is to have an Armed Force second to none.

Thank you very much.

Senator JEPSEN. Very quickly, one last question because I think it will take some additional comment from the personnel chiefs. I would like to have yours before you leave.

You know, there has been a proposal that retired pay of the military and civil service retirees under the age of 62 be adjusted by only one-half the annual change in the cost of living if you are under age 62. These and other proposals are going to be debated and some acted on.

How would this change the military retirement system and affect retention in your opinion?

Dr. KORB. As you know, Mr. Chairman, this was a change that was put in for 3 years by the Congress. The President's budget assumes that that change will become permanent.

It is very difficult for us to ascertain at this particular time its impact because our service members are not sure whether in fact the Congress will enact that this particular year. We do not know what the impact has been of the change the Congress has enacted before. As I mentioned, I cannot see where it would help our retention situation.

I think that the key thing is that servicemen will look at it in terms of its fairness. Fairness, again, is measured not only by absolute terms but by what happens to other retirement systems. As you know, the Congress this year has before it proposals to change civil service retirement, to hold down cost of increases, to postpone them for social security.

So, I think that the military member will have to look at all of those and make a judgment as to whether he or she is being treated fairly on this. I think that will be the ultimate determining factor in retention.

MILITARY RETIREMENT

Senator JEPSEN. Thank you, Mr. Secretary.

Would any of the service personnel chiefs like to comment on the effect of this proposal?

General THURMAN. I think it would be devastating if this becomes a permanent piece of legislation. The half-COLA provision is an innocuous notion. When it is laid out for people to see what impact it will have on their retirement and then add on top of that a 4-percent pay cap in 1983 and a proposed zero pay adjustment in 1984, I think many service members will question our leadership.

Senator JEPSEN. Just for conversation I would like to ask you to join me in the future when I talk to groups and have the question asked, "How come people on retired military pension are getting 140 and 150 percent in pension of what their counterparts in the same rank are getting on active duty?" Why has their increase in the pension gone from some $7,500 to $22,000 over a 8-year period.

How do you answer people, taxpayers, on that question?

General THURMAN. I think it is an enormously complicated subject. For example, we do not pay people for the cost of movement and yet we order them to move at the necessity of the service—overseas or inside the continental limits of the United States. But people are willing to tolerate what I would call the ups and downs and the swings in the compensation system, understanding that there is a retirement system that is in place and in force that they can understand.

Senator JEPSEN. I kind of get blinded by the smoke here. Really, I say it respectfully. The fact is, what about this 140 to 150 percent of income that pensioners are receiving of what the same rank is getting on active duty?

General THURMAN. We have a Quadrennial Review Committee that is being hosted by the Secretary of Defense for the purpose of looking into all the components of the total compensation business.

Our view is that when you make piecemeal adjustment to the compensation system, which is not easily explainable and interpretable to the people who are serving, you end up with the proposition of an unknown, uncalculatable effect on people. We would hope that we can complete the fifth Quadrennial Review process and then make the necessary changes.

Senator JEPSEN. Well, these things are all going to be discussed. I did not mean either to be facetious or vindictive about it.

Outside of Government circles, people have pensions and they do not have this twice-a-year increase; they do not have a once-a-year increase. they have a combination integrated pension plan. We are going to be looking at, going to be focusing in on deficits.

Almost every other measure of the financial health of our economy is in place and much more attention is going to be focused on the deficits. Many times you are going to hear from those who are charged with the responsibility to get down these deficits, "Oh, this is uncontrollable"—85 percent of our Federal budget is uncontrollable.

Then they immediately point to the "entitlement" programs which do constitute close to 50-plus percent of our budget. In social security we have had—which is being debated now—a 14.5-percent increase—roughly—average for the last 10 years, a 412-percent increase.

If indeed these are automatic, then maybe it is uncontrollable. But of course, it is not the budget that is out of control, it is the people who make the budgets who are out of control and that is what has been the case forever.

So, when I bring this up I am not singling out the military. The military retirement system is going to be looked at very closely and it is going to be brought up and pointed to, and shot at. We need to have all the information we can get up front. We need to hit it head on.

I am trying to pull out some information here. We will continue to do some research on it. I am going to be asked by my colleagues, I am going to be involved in meetings both in the private sector and the governmental sector in the next 4 or 5 months. Because of my capacity as chairman of this committee, they are going to ask, Senator, you know, that comes out of your committee. What about all those retirement programs that we understand have just gone into orbit?

So, I am going to have to answer those questions. That is why I am asking you to share some of your thought with me. General?

General **Iosue**. Sir, I want to put the military retirement program into proper perspective, if I may.

Senator **Jepsen**. Certainly.

General **Iosue**. If it is such a good deal, why do only 12 percent of those people who enter the military take advantage of the retirement program? Only 12 percent go to retirement.

It is not 50 percent of pay, it is 35 percent of the pay. It does not include the percentage of BAQ and BAS. So, at the 20-year point it is only 35 percent of pay.

Sixty percent of our retirees earn less than $10,000 a year. The average enlisted retiree gets about $12,000 a year and the average officer retiree about $17,000. So, we do not have these enormous retirement pensions that people so often refer to.

Not all our people retire at 20 years of service. The average enlisted man stays to 23 years; the average officer stays to 24 years. We have many who go on to 28, 30, and 35 years of service.

It is the No. 1 retention incentive. Any change made to the retirement system better be looked at carefully because it is going to have a devastating effect upon retention.

In a recent survey we asked:

> How many of you will change your career plans if we change the retirement system by decreasing in some way the multiplier or the annuity, of what you now have by, say, 20 percent?

Over 30 percent of the careerists said they would leave the U.S. Air Force—over 30 percent of those who have intentions to stay.

It is the most maligned, misunderstood system that we have. I think it needs to be put in the proper perspective.

Mr. **Principi**. Do the vast majority of people in uniform, especially the younger people, even realize that they get a COLA at retirement? I know if the change is made there will be a lot of notoriety.

General **Iosue**. No; they do not. But I tell you what, you tell that E–1 or E–2 that he is going to lose, when he retires as a tech sergeant, $125,000 in lifestream earnings and he takes a look at it in that context, he then realizes that it is not that good a deal and there will be an impact.

It has to be explained to him. He will react more to a change in the 20 to 25 years or he will react more to a change in the multiplier from 2.5 to something less, than he will to changes in COLA. The COLA, as General Thurman mentioned, is subtle, it is not understood. But if you explain it to him and he understands at the career point—particularly those in the 6- to 11-year group—he is going to bail out instead of staying because it is not that good a deal.

Mr. **Principi**. What about a two-tiered system, no COLA's until the age of 55 or 60, and then a catchup to reflect the intervening COLA's that he did not receive? Would you prefer that over this permanent cap freeze? Has that been looked at by the services?

MILITARY VERSUS CIVILIAN RETIREMENT

General **Iosue**. Well, the problem with the proposal today is that it says, "You will take a 50-percent COLA cut until age 62," Federal employees as well as military.

The problem with that is, there is a basic inequity. Eighty percent of the civilian employees are over 62. In other words, it affects 80 percent of the military and only 20 percent of the civilians.

Mr. **Principi**. You are absolutely correct. They argue to us that the vast majority of military retirees are very young in life and that civil servants have to work until they are 55 and now 60 or 62, to retire.

I agree with you, that 50 percent or 35 percent of basic pay is not very much, but you can retire at 38 or 40, or 42 years old and pursue another career. Whereas the civil servants tell us that they do not have that luxury.

General **Iosue**. The civil servant is not subject to recall, the military member is. The civil servant is not subject to all the demands, the rigors of military life. That is deferred compensation. There is a difference.

General **Thurman**. I just want to comment that I have 93,000 retirees currently on orders. If we go to war—hopefully we do not—they already have their orders in their pockets.

Now, most other retirees do not have orders to report back to their firm for duty.

Senator **Jepsen**. If we went to war, how many able-bodied men under any given age would not go? I mean, so what? Perhaps the retirees will just go a little sooner.

General **Thurman**. But they have skills and they have been through the leadership business and will impart that back into the system from which they have grown.

Senator **Jepsen**. They have skills, but 90 percent of your servicemen came back in when we had a firefight and went to war. They had skills, too. You take your backhoe operators and your bulldozer operators, and the folks on the farm and so on and so forth—as it has always been—and we get about 90 percent or more that would not be from that area. They would be coming in, too.

Well, I do not mean to be pushing into a debate on this. Frankly, I am getting what I wanted. You are giving me information and things that I am going to have to present pretty directly in some instances, in my capacity as chairman of this committee. I am not going to go out and tear the military retirement system apart for any reason, politically or other. There are some that wish to.

But we need to know. You need to tell the story. Everybody needs to tell the story. You just cannot sit back and say: By golly, we have it coming and if people do not understand, tough.

You know, Do not bother me, I do not want to talk about the fact we can be recalled or that we have a hard life to live in there, we get transferred and we sacrifice a lot for 20 years.

You know, I am kind of romantic about the military, but our country basically is not as sympathetic and romantic about the military as you would like them to be.

We had to battle like heck just a few days before Pearl Harbor to get a system to take people in the service to protect this country, one vote in the Congress to pass the draft. I do not know why it is, I am not saying it is right or wrong, good or bad. I am just saying, it is.

So, when we talk about budgets and defense, and consensus for a strong defense and so on, we need to articulate that well. I have a way to articulate it. Sometime when we are not in formal session I will give you my speech. It is pretty good.

But it is a different perspective than most people get.

We will have some questions for the record. Senator Exon has some questions and some of the other Senators, I am sure, will. I want to make sure they get these in.

General Tice?

MILITARY RETIREES

General **Tice**. I had only one comment about the publicity that is being bandied around, the number of retirees who are drawing more money than those serving on active duty. It is about 350 individuals.

Senator **Jepsen**. Is that all there is?

General **Tice**. That is all. Those are individuals who retired between 1972 and this date, and most of those are flag rank.

There are 1.3 million retirees on the rolls and that is the thing that is driving the high cost. We do have about 200,000 retirees who are drawing more money because of the twice-a-year COLA over the past years than if you retired today; you would not draw that same amount of money. Those are the two figures that are being confused about thousands and thousands of people drawing more money than those on active duty today do.

Senator **Jepsen**. Would you give this committee, and then I will get it from the committee, that story that you just told me, elaborate on it and put it in writing.

General **Tice**. Yes, sir.

Military Retired Pay

There are approximately 1.3 million retired members of the armed services. Of this population, 1.2 million are non-disability retirees, while 142,000 are retired for disability reasons. The current retired pay of retired members can be compared to the current active duty basic pay rates. Based on gross retired pay, there are 343 individuals who are receiving more in retired pay than they would be receiving in active duty basic pay. Of the 343 cases, 145 are non-disabled retirees, while 198 are disabled. In all but a few cases, these members were retired in the 1968 to 1975 period and are subject to retired pay adjustments generated by accelerated Consumer Price Index percentages.

The causation of this can be found in the different adjustment mechanisms for active duty basic pay and that for retired pay. Active duty rates are increased in relation to civil service wage increases or by separate legislation. Military retired pay is adjusted in relation to perentage increases in the Consumer Price Index. In the past, percentage increases in the CPI have been at a higher rate than those for active duty basic pay. Additionally, active duty pay "caps" or "freezes" have contributed to this situation.

Senator **Jepsen**. Because you are correct, there are more than just a few folks who are saying that military retirement pensions are way out in orbit. They are unrealistic.

I have to admit, I had the feeling that the very large majority, growing bigger every day, had gone over this 100 percent and was going to 140, 150 percent.

General **Tice**. There is quite a sizable number out there who have had sizable increases in the days when they had the twice-a-year COLA and the annual increases when the active-duty pay was suppressed.

The 200,000 or a little better are those, for example an E-7 who would retire today, his retired pay would be less than some individual's who is already out there. But what the public has been led to believe, that there are thousands and thousands of people on the retired rolls who are drawing more money than those serving in their current grades on active duty and that just is not true, sir.

Senator **Jepsen**. Admiral Zech?

RETIREMENT PROGRAM

Admiral **Zech**. Yes, sir, if I may. The retirement program is the single most positive factor in the reenlistment decision for our career personnel. That is the career personnel who are really our professionals, those who have been in the service for a number of years. It is the single most important factor. My personal feeling is that the half COLA restriction, if extended on into the future, could be very, very devastating. I think that our people believe they have a commitment on the retirement program. I think it is fair to say that they are meeting their commitment to serve, and I think they believe the Government also has a commitment concerning their retirement program. It has to be consistent. That is very important. We have to consider the whole compensation package together, of including retirement. It cannot be considered in a piecemeal sort of way.

It is a complex subject, but I believe that the retirement feature itself and the retirement commitment we have to our people is something that simply must be followed through. I think that career people believe they have a commitment on the part of the Government, a promise on the part of the Government. They believe it is a matter of trust and confidence and I think it is a very, very serious matter.

This whole issue should be discussed in the ongoing fifth quadrennial review of military compensation so the services have an opportunity to contribute to this very important matter. I think it is something that the services have a responsibility to contribute to.

It is a very difficult subject to talk about this particular year when we have already accepted the fact that a pay freeze is a real possibility. It is important this year that we not disturb the retirement system or any of the other components of the compensation system that our people are really counting on.

Senator **Jepsen**. I could not agree more. One of the things—and I want to get this in the record—I think all of us must do, before we engage in any discussion or debate, is set the record straight for our folks.

One of the things I have found out the hard way in the last couple of weeks is that just a little teeny bit of misinformation fed through the proper channels on an organized basis, and you have tens of thousand of people descending on Capitol Hill. They are so emotionally upset that it is kind of hard to even sit down and reason together. Their mind is made up before they ever get here that you are doing them in.

I share the concern that you all have for the effect on morale that might occur if a little bit of this is misread by our men and women in uniform. The question of whether we are going to change their retirement, they are going to have some of it taken away or they are going to "fudge" a little bit on it could be bad for the morale.

We are in pretty good shape in our armed services today with the feeling about the country and a military career, and we want to keep it that way.

So, I will assure you that we are going to do something out of this committee to help prepare our colleagues in the Congress.

First of all to set the record straight as far as where we are today and where the military people are today, so that they have that basic reassurance that the commitment, and the agreements, and the ground rules upon which they came in will be followed. That if indeed there are any changes that they will be made in a serious and careful manner. That is important for everybody.

We are going to wind this up here. We have questions for the record that will be submitted.

EVACUATING DEPENDENTS IN EUROPE

Very quickly, General Thurman, the same old question—we have gone over it before. How are you going to evacuate 350,000 dependents in Europe if we have a fire fight?

General **Thurman**. We have practiced it in maneuvers such as the most recent mobilization exercise. It will be difficult and arduous but we think we can do it.

Senator **Jepsen**. So, the readiness problem and the other things you think, the morale, the support, and so on that you have presently on balance outweighs some of the other things?

General **Thurman**. I think as General Iosue eloquently put it, there is the tangible asset of family stability—the careerist has his family with him. In the long run it is the family that stays in the service. You recruit soldiers and you retain families.

Having a family together when we are going to have 45 percent of our folks overseas is absolutely essential, as we see it.

Senator **Jepsen**. Is there anyone that has a statement they would like to put in the record before we adjourn.

FAMILY SEPARATION

Admiral **Zech**. I would just like to add to the question just asked, Mr. Chairman, that family separation is the No. 1 reason why our people are leaving the Navy these days.

In the Navy, family separation during long deployments is a very serious thing. The family emphasis that we are trying to give in the Navy through family service programs and other means is very real. Any increase in separations would add even more to our retention problems.

Senator **Jepsen**. I thank all of you for coming. That last subject of the family, I feel very strongly about—contrary to those few way-out folks in this country who think families are something of the past. They are the keystone of our society. Whether you are in the military service or anywhere else, they are the glue that keeps us all hanging together and makes it all worthwhile.

We should and we will take the family into every consideration as we make any adjustments—pay, retirement, policies, whatever it may be. You have my 100 percent support on that.

General **Thurman**. We appreciate it.

Admiral **Zech**. Thank you, sir.

General **Cooper**. Thank you very much.

[Questions with answers supplied follow:]

Questions Submitted by Senator Roger W. Jepsen

STANDBY GI BILL

Senator **Jepsen**. Dr. Korb, Senator Alan Cranston has proposed a "stand-by" GI bill (S.8) that would be triggered into effect only when the President determined it to be necessary. The "standby" feature responds to the argument made by supporters of a new GI bill that "you don't want to have to fix the roof while it's raining."

Disregarding the substance of a new GI bill, what is your opinion of putting one into place so it is immediately available to be used, if necessary?

Dr. **Korb**. Under a volunteer force, I view educational benefits, primarily, as a force manning tool. Educational benefits should be considered along with other recruiting and retention incentives. Presumably, the advantage of having a "standby" GI bill in law is that it would reduce any implementation lag once it was decided that educational benefits incentives were the most appropriate way of alleviating a particular manpower problem. However, the cost of having a particular form of a GI bill in law is that it may not be the most appropriate benefit package for all situations. One advantage to "fixing the roof when it is raining" is that you know where the leaks are. Hence, I would prefer to retain the flexibility to consider alternative forms of an educational benefit package, along with other recruiting and retention tools, in meeting future manning contingencies.

ARMY PROMOTION POLICY

Senator JEPSEN. General Thurman, does the Army's promotion policy consider both the quantitative and qualitative requirements for each MOS? If not, why not? To what extent has this exacerbated shortages?

General THURMAN. Yes, within the bounds of quality, promotions to E5 and above are tied to quantitative MOS requirements. In late 1981, the Army launched a Force Alignment Plan which tied reenlistment, reclassification, promotion policies and bonuses to MOS level requirements. These policies have reduced rather than exacerbated shortages. For promotions to E7 through E9, the selection board is provided MOS level objectives. The board then determines if there is sufficient quality in the zone to meet those objectives. As a minimum, soldiers must be found fully qualified for promotion to be selected. Any shortfall at one grade is passed down to the next lower grade for the same MOS. For E5 and E6, the commander's recommendation certifies the soldier is fully qualified for promotion; monthly promotions are made to E5/6 to meet MOS level need.

ARMY PRIOR SERVICE PERSONNEL

Senator JEPSEN. General Thurman, in the past, has the Army recruited prior service personnel for MOS's which are not undermanned? If so, why?

General THURMAN. Yes. The Army's recruiting program each year is structured to fill current and future needs of the force. The Army may recruit additional personnel during one fiscal year in order to meet an increasing demand in the next fiscal year. This is particularly true of prior service individuals who can become noncommissioned officers in a shorter period of time than non-prior service personnel. The Army has instituted a Force Alignment Plan to insure shortages in an MOS at grade E4 and above are filled by prior service accessions if they cannot be filled by promotion and normal progressions within the MOS. At the same time sufficient non-prior service accessions are recruited each year to maintain the E2/E3 requirement and to provide a sustaining base for the MOS.

ARMY CIVILIAN MANPOWER

Senator JEPSEN. Does the Army's requested civilian personnel strengths for fiscal year 1984 and beyond include sufficient personnel to perform the additional tasks and functions which have and will result from force modernization? Please explain if it does not.

General THURMAN. The Army strives for a balanced program in all areas. The fiscal year 1984 budget includes sufficient personnel to perform the additional tasks and functions related to planned force expansion and modernization. The return of the Commercial Activities spaces withdrawn in anticipation of conversion to contract will alleviate civilian shortfalls. Army is aggressively pursuing efficiency programs such as contracting, capital investments, and efficiency reviews of the noncontractable functions for economies of operation to free manpower for unsupported workload. The removal of the ceiling on industrially funded activities will allow that workload to be accomplished in total for the first time.

UNIT COHESION

Senator JEPSEN. I think everyone is excited by the Army's effort to instill greater cohesion in its units.

I realize that the Cohort experiment is still underway. Nonetheless, what are the initial results of this innovative manning system?

General THURMAN. Initial indications are very encouraging. We are finding the Cohort units generally function better than non-Cohort units. Unit stability enhances esprit, cohesion and training effectiveness by providing a stable environment for small-unit leaders. We are finding that the stabilized environment of the Cohort unit is having a very positive impact on training effectiveness, professional development, and soldier satisfaction. Careerists feel that, for the first time in their careers, they can attain and sustain high standards of individual and team proficiency without the erosive effects of constant turbulence.

Specific data on Cohort are being gathered in a Field Evaluation procedure scheduled to run through fiscal year 1985. I expect that evaluation to provide us with specific information on how to manage the Cohort system. It should be noted that Cohort units in the Army number only 38—five of which are overseas. The first overseas movement occurred in September 1982, so it is too early to predict specific results at this time.

Senator JEPSEN. What specific problems has the Army encountered?

General THURMAN. The Army has been operating under its current individual replacement system for at least 40 years now. Our greatest challenge is to identify and implement the right systemic changes to sustain a system of unit replacement and permanent Regimental affiliation and to integrate these changes into our other *modernization initiatives in* a systematic manner. We are currently conducting extensive sustainability analyses and field evaluation over a 3-year period to insure a methodical and prudent transition.

TURNOVER OF ARMY COMMANDERS

Senator JEPSEN. You explain in your written statement that the Army has slowed the turnover of commanders at the battalion and brigade level.

What prompted the Army to make this encouraging improvement?

General THURMAN. The Chief of Staff, Army, decided in February 1980 to extend battalion and brigade command tour lengths from 24 to 30 months retroactive to 1 October 1979. Commanders of major commands were given the authority to amend this length by 6 months, either way.

The decision to implement longer command tenure was based upon reducing turbulence. While the old system gave a greater number of officers command opportunity, the resulting turbulence hampered the fostering of unit cohesion. While opportunity for command would be reduced by extending the tour length, the Army has ample promotion opportunities for officers in a number of specialties, not just for those with command experience.

Senator JEPSEN. Should not the turnover of general officers in command positions also be slowed?

General THURMAN. During General Meyer's tenure as the Army Chief of Staff, there has been a major philosophical change in the Army's management of the General Officer Corps regardless of the type of position, which reflects our commitment to improve on the current DOD policy prescribing that flag and general officer assignments will be for a minimum of 2 years. Because general officers are assigned to command, leadership, specialty and management positions which require them to formulate policies and strategies designed to insure our national security objectives are fulfilled, current personnel management policies focus on causing minimum turbulence throughout the force whenever assigning the best qualified officers to these key positions. Movement for movement's sake is not a consideration. The tenure for brigadier general and major general command positions (Division and Assistant Division Commanders; Commanders of Army Readiness and Mobilization Regions, Training Centers/Schools, Research and Development Commands; and separate two- and one-star commands such as 32d Army Air Defense Command in Europe or our four regional ROTC commands) is, for example, a minimum of 2-years; for positions other than those that are command-designated, the Army strives for a 3-year tour length. However, general officer reassignments are often caused by factors largely outside of the Army's control. We must operate within a strength ceiling set by Congress and the Department of Defense; moreover, retirements, promotions and unprogramed requirements cause exceptions to optimal management practices and tour length policies if we are to insure assignment of the best qualified officer to each position. Our record for reducing turbulence, particularly within command billets, is quite good. You will note from the data depicted below that since 1979 the average months on station for all general officer ranks has actually surpassed the DOD policy.

AVERAGE MONTHS ON STATION FOR GENERAL OFFICERS [1]

Year	General	Lieutenant General	Major General	Brigadier General
1979	41	37	30	24
1980	32	31	31	25
1981	37	34	29	28
1982	39	36	33	27

[1] All averages are rounded to the nearest number.

REENLISTMENT REQUIREMENTS

Senator **Jepsen**. How successful have each of the services been in meeting qualitative reenlistment objectives? In this regard, please provide the number of MOS's, ratings, and AFSC's in each of the services with career inventories under 110 percent and 100 percent; and under 100 percent and 90 percent authorized spaces. Please provide the same breakout for requirements for the last four fiscal years, 1979 through 1982.

ARMY

General **Thurman**. By comparing fiscal year 1981 and fiscal year 1982, improvements made in force alignment as a result of significant policy changes in early fiscal year 1981 can be portrayed. Data before fiscal year 1981 was not maintained in the same manner and is either not available or would take considerable resources to attain. The Army groups related skills into enlisted Career Management Fields in order to portray manning requirements. The Army began fiscal year 1982 with the NCO's in 8 of its 30 enlisted Career Management Fields (CMF's) balanced. By January of this year, the number of balanced CMF's had increased to 19. With the exception of the electronic warfare, intelligence, and chemical fields (projected to be balanced by end fiscal year 1984), all CMF's will be balanced by the end of fiscal year 1983. The chart below shows our progress to date.

CMF's	Over (105 percent)	Balanced (95 to 105 percent)	Short (under 95 percent)	Total
September 1981	11	8	11	30
September 1982	4	19	7	30
Current (January 1983)	3	19	8	30

NAVY

Admiral **Zech**. Navy has been able to consistently meet qualitative reenlistment requirements, however, the necessary quantities have not been achieved in certain ratings.

The following data represents a collaiton of Navy careerist inventories (INV) versus Billets Authorized (BA) for fiscal years 1979 through February 1983. Careerist inventory is normally described in terms of length of service from 5 to 31 years. Billet authorizations, however, are described by enlisted pay grade. For this reason it has been necessary to describe careerist inventories in the following tables as the top six pay grades. E4 through E9. Certain ratings are compression ratings which are composed of less than six pay grades. These are identified in the tables by an asterisk.

INV/BA UNDER 90 PERCENT

[By fiscal year]

1979	1980	1981	1982	1983 (February)
ABE	AB*	AB*	ABE	AX
AC	ABE	ABE	ASE* [1]	CTM
AE	AC	AC	AX	CTR
AG	AE	AMS	AZ	CTT
AO	AQ	AO	FTG	EO
ASE* [1]	ASE* [1]	ASH* [1]	FTM	FTG
ASM* [1]	BT	AX	GMG	FTM
AQ	BU	CTI	GMM	GMG
BT	CE	CTM	GMT	GMM
BU	CM	CTT	GS*	GS*
CE	CTI	EA	GSE	GSE
CM	CTT	EN	HT	HT
CTO	EA	FTG	IC	IC
CTT	EN	FTM	MI	IM
DP	EO	GMG	ML	ML
EN	EW	GMM	MN	MR
EO	FTM	GMT	MR	NC
GMM	GMM	GS*	NC	OM
GMT	HT	GSE	OM	OS
GSM	IC	HT	OS	PM
HT	IM	IC	PC	QM
IC	LN	IM	PM	RP
IM	MN	JO	QM	SM
IS	MR	ML	RM	
JO	MU	MM	SK	
LN	NC	MN	SM	
MR	OM	MR		
MU	OS	NC		
OM	OT	OM		
OS	PC	OS		
OT	QM	OT		
PC	RM	PM		
PH	RP	QM		
PM	SM	RM		
QM	SW	SH		
RP	TD	SK		
SM	TM	SM		
SW	UT	TM		
TM	YN	UT		
UT				

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[1] ASE, ASH, ASM ratings compress to AS rating at E–6 pay grade. ASH rating combined with ASM in fiscal year 1982.

INV/BA 90 PERCENT TO 99 PERCENT

[By fiscal year]

1979	1980	1981	1982	1983 (February)
AB*	ABF	ABH	ABF	AB*
ABF	ABH	ABF	ABH	ABE
ABH	AD	AD	AC	ABF
AD	AK	AE	AD	AC
AF*	AME	AK	AMS	AF*
AK	AMH	AMH	AO	AM*
AM*	AMS	ASE* [1]	AS* [1]	AS* [1]
AMH	ASH* [1]	AQ	ASM* [1]	ASE* [1]
AMS	AF*	AT	AV*	ASM* [1]
AME	AG	AW	BM	AZ
AT	AO	AZ	BT	CE
AV*	AT	BM	CE	CTA
AW	AV*	BT	CTA	CTI

INV/BA 90 PERCENT TO 99 PERCENT—Continued

[By fiscal year]

1979	1980	1981	1982	1983 (February)
AX	AW	BU	CTI	CTO
AZ	AX	CE	CTM	CU*[1]
BM	AZ	CM	CTO	EA
CTA	BM	CTA	CTR	EN
CTI	CTA	CTO	CTT	EO
CTM	CTM	CTR	DK	EW
CU*	CTO	DK	DM	GMT
DK	DK	DM	EA	IS
DS	DS	EM	EM	JO
DT	DP	EO	EN	LN
EA	EM	ET	ET	MA
EM	ET	EW	EW	MN
ET	FTG	GSM	IS	MU
EQ*	GMG	IS	JO	OT
EW	GMT	LI	LN	PC
FTB	IS	LN	MA	PR
FTG	JO	MA	MU	RM
FTM	MA	MS	MS	SK
GMG	ML	MU	OT	STG
GS*	MM	PR	PR	TD
MA	MS	STG	RP	TM
ML	PM	STS	SH	
MM	PN	TD	STG	
MN	PR	YN	SW	
MT	SH		TM	
NC	SK		UT	
PN	STS			
PR				
RM				
SH				
SK				
STS				

[1] ASE, ASH, ASM ratings compress to AS rating at E–6 pay grade. ASH rating combined with ASM in fiscal year 1982.

INV/BA GREATER THAN 110 PERCENT

[By fiscal year]

1979	1980	1981	1982	1983 (February)
GSE	DM	AM *	DP	AK
LI	GSE	ASM * [1]	FTB	FTB
STG		DT	LI	LI
		FTB		PH
		MT		
		PH		

[1] ASE, ASH, ASM ratings compress to AS rating at E–6 pay grade. ASH rating combined with ASM in fiscal year 1982.

INV/BA 100 TO 110 PERCENT

[By fiscal year]

1979	1980	1981	1982	1983 (February)
AS * [1]	AM *	AF *	AB *	ABH
ASH * [1]	AS * [1]	AG	AE	A
CTR	ASM * [1]	AME	AF *	AE
M	CTR	AS * [1]	AG	AG
HM	T	P	AK	AME
	FTB	S	AM *	AMH

INV/BA 100 TO 110 PERCENT—Continued

[By fiscal year]

1979	1980	1981	1982	1983 (February)
	GS *	HM	AME	AMS
	GSM	PC	AMH	AQ
	HM	PN	AQ	AT
	LI	RP	AT	AW
	MT	SW	AW	BM
	PH		BU	BT
	STG		CM	BU
			CU *	CM
			S	DK
			DT	DM
			EO	DP
			EQ *	DS
			GSM	DT
			HM	EM
			MM	ET
			MT	GSM
			PH	HM
			PN	MM
			STS	MS
			TD	MT
			YN	PN
				SH
				STS
				SW
				UT
				YN

[1] ASE, ASH, ASM ratings compress to AS rating at E–6 pay grade. ASH rating combined with ASM in fiscal year 1982.

USMC

General Cooper. The table below depicts the number of Military Occupational Specialties (MOS) with career inventories over 110 percent, over 100 percent, under 100 percent, and under 90 percent for fiscal years 1982 and 1983. Similar data are not available for the previous 3 fiscal years in existing reporting systems.

Fiscal year	Over 110 percent	100 to 110 percent	90 to 100 percent	Under 90 percent
1982	162	47	51	115
1983	143	38	52	120

The apparent increase in short MOS's since fiscal year 1982 primarily reflects the introduction of new weapon systems (i.e. F/A 18, CH53E, AV8B, LAV) and the activation of cadred units.

Another measure of success in meeting reenlistment objectives is the shortage of Marines in critical skills and the number of MOS's critically short. In September 1980, we were short 5,550 Marines in various critical skills. Today we are short 2,690. Similarly, 170 MOS's were considered critically short in September 1980. Today 114 MOS's are critically short. This success has occurred at the same time that requirements have increased. It is largely attributable to the application of the Selective Reenlistment Bonus.

AIR FORCE

General Iosue. During fiscal 1982 and fiscal year 1983 the Air Force was very successful retaining skilled NCOs. The Air Force's first-term reenlistment rate increased from 42.9 percent in fiscal year 1981 to 56.9 percent in fiscal year 1982 and is currently 68.2 percent in fiscal year 1983. The second-term reenlistment rate improved from 71.5 percent in fiscal year 1981 to 80.8 percent in fiscal year 1982 and is currently 85.5 percent. Generally improved retention is occurring in desired skills. First-term and second-term reenlistment rates surpass the current fiscal year 1983 average in critical areas such as Missile Maintenance and Aircraft Maintenance. A categorization of career manning for fiscal year 1982 is as follows:

Career manning less than 90 percent	123
Career manning less than 100 percent	70
Career manning greater or equal to 100 percent	71
Career manning greater than 110 percent	76

For this report "career manning" is defined as "E5–E7" manning. Also, a skill was defined as an entity if authorizations existed at the 7-level (E6–E7). Data for fiscal years 1979 through 1981 was not available in the above format, has been requested and will be forwarded as soon as possible.

MOVING COSTS

Senator **Jepson**. Military personnel continue to have to pay out of their own pockets a substantial part of the cost of moving from one duty station to another. This subcommittee has initiated some travel improvements that have not been funded. In addition, the Defense Department has proposed new travel allowances that have not yet been authorized, much less funded.

Please rank in priority order the three most important travel initiatives that have not yet been funded or authorized.

ARMY

General **Thurman**. The Army solicits your support for a Temporary Lodging Expense (TLE) previously authorized in the Uniformed Services Pay Act of 1981 and heretofore not funded. This initiative would partially offset the added lodging and subsistence expenses incurred by servicemembers and their families during permanent change of station moves. Favorable consideration of funding for this entitlement would allow servicemembers funds to pay for up to four days temporary lodging expenses, either at the old or new duty station not to exceed $110 per day. Federal civilians already receive a similar allowance in conjunction with PCS for periods up to 30 days.

Second, the Army, as proponent for DOD, has proposed legislation which would authorize one space required annual trip for educational purposes to and from CONUS for eligible student family members of active duty personnel stationed outside the United States. Currently, eligible student family members of all Federal Government civilian employers are authorized one annual space required round trip as a result of the Foreign Service Act of 1980. This benefit inequity has created serious morale problems and added to the already severe financial hardships experienced by servicemembers stationed outside the United States. H.R. 912, introduced on January 25, 1983, will correct this inequity and we respectively request your full support for its earliest passage.

The final travel initiative deals with the storage of a motor vehicle for members precluded from shipping privately owned vehicles (POV) to an overseas location. The problems are particularly severe for members assigned to Japan and Okinawa because of stringent emission control standards. The member, unable to ship a POV, has several options all of which result in substantial out-of-pocket costs. They include storage of POV at personal expense, sale of the vehicle or transportation of the POV at personal expense to the home of relatives or friends.

The later two travel initiatives are currently contained in the Legislative Contingency Fund for fiscal year 1984.

The Army believes that these travel initiatives will enhance the human dimension of military service and serve to reduce the already demanding out-of-pocket expenses incurred by our soldiers and their families.

NAVY

Admiral **Zech**. There is one authorized but unfunded initiative and two other initiatives that are not yet authorized or funded that are the most important of the many travel initiatives desired by the services.

First and foremost is the funding of the temporary lodging expense (TLE) authorized by 37 U.S.C. 404a. Service members expend a significant amount of personal funds utilizing temporary lodgings at old or new permanent duty stations incident to carrying out permanent change of station orders. Providing funds to enable implementation of this program will enable the Government to bear the burden of these costs incurred by service members in complying with orders.

The second initiative, for which authorization and funding is necessary, is the storage in lieu of transportation of a motor vehicle. When service members are ordered overseas to areas where a motor vehicle cannot be shipped, the vehicle must be sold or stored at personal expense to the service member. This initiative will preclude that burden from falling on our service members.

The third initiative requiring both authorization and funding is an annual round trip for student dependents of personnel assigned overseas. The necessity to personally fund this travel is a significant disincentive to service member when contemplating an overseas assignment. Further, authorizing this travel entitlement will provide the military member the same benefit provided to Federal civilian employees.

USMC

General COOPER. The first, most significant, travel-related requirement is to uncap the Variable Housing Allowance. When a Marine moves to Washington, D.C., for example, he takes a pay cut because the housing allowance has not been permitted to keep up with the cost of housing. The second is to fund the Temporary Lodging Expense (TLE) intended to partially offset the added lodging and other subsistence expenses incurred by Service members and their dependents is conjunction with permanent change of station (PCS) moves within the continental United States. The third is approving an increased dependent monetary allowance in lieu of transportation (MALT) to reimburse a member for the expenses their dependents incurred during government directed permanent change of station moves. Since this entitlement has remained unchanged since 1974, it is insufficient in the current economic environment.

AIR FORCE

General IOSUE. It is true that military personnel continue to incur substantial out-of-pocket expenses incident to a Government-directed permanent change of station (PCS) move. As an example, for every $3 spent on a PCS move, only $1 is reimbursed by the Government.

Our top three travel reimbursement initiatives, in priority order, are: temporary lodging expense (TLE); dependent student travel; and motor vehicle storage.

The Uniformed Services Pay and Benefits Act of 1981 (P.L. 97-60) authorized a TLE to partially offset the added lodging and subsistence expenses incurred by service members and their dependents in conjunction with PCS moves. Reimbursement under this provision would be limited to 4 days and a maximum of $110 per day. The TLE would reimburse members for the food and lodging expenses they incur at the old and new duty locations during delays in departure from the old location or delays in obtaining a permanent residence at the new location. Federal civilians are presently authorized up to 30 days of reimbursement for these types of expenses. To date, funding has not been provided for this initiative.

Second, dependent student travel would provide annual, round trip transportation for children who attend secondary school or undergraduate college in the continental United States (CONUS) and are dependents of service members stationed outside the CONUS. Now students must travel Space-Available which is severely limited during the holidays and summer months or the parents must pay all costs of student travel by commercial airline. This initiative parallels the benefit enjoyed by Federal civilian employees since April 19, 1981 (Foreign Service Act of 1980). Dependent student travel requires both authorization and funding.

Finally, service members may be prohibited from shipping a privately-owned vehicle (POV) to an overseas area by either the United States or host government. For example, the DOD has imposed an embargo on United States. POVs manufactured after March 31, 1976, for members assigned to Japan because of the strict Japanese emission control standards which require prohibitively expensive modifications/alterations, plus mandatory inspection, (upwards of $2,000 in unreimbursed out-of-pocket expenses) with no guarantee of success. Members not permitted to ship a POV overseas are faced with the unpleasant choice of storing the POV (at personal expense) or selling the POV (usually at a considerable financial loss). The motor vehicle storage initiative would authorize storage of a POV at Government expense in lieu of shipment and avoids penalizing members executing Government-directed PCS moves. Both authorization and funding are needed for this initiative.

We recognize that fiscal constraints will weigh heavily when evaluating the merits of these initiatives. A key factor in the equation is that military members have no alternative but to comply with military PCS orders. In this context, the expenses associated with a Government-directed move are an integral cost of doing business which should be borne by the Government and not the member. Failure to adequately reimburse service members for Government-directed PCS moves will adversely affect retention as eventual improvement in the economy will entice more people to leave the service rather than endure continued out-of-pocket costs.

FORCE COMPOSITION

Senator **Jepsen**. All the services, and particularly the Navy, plan to expand the size of their career forces during the 1980s.

Why are the services expanding the career content of their objective forces?

ARMY

General **Thurman**. While the Army is increasing its career content (over 4 years of service) between fiscal year 1983 and fiscal year 1984, we do not plan to go higher than the 1984 level anytime during the program years. The slight career content increase between fiscal year 1983 and fiscal year 1984 is necessary to support the Noncommissioned Officer (E5–E9) force strucutre increases. These NCO increases result from our continuing efforts to reduce hollowness in units, the conversion of units to Division 86 design, increasing the number of trainers in the training base, and expanding the Special Operations Command.

NAVY

Admiral **Zech**. As the Navy grows to man 600 ships, the total number of careerists must grow proportionately. The Navy's objective force represents a manpower structure which is attainable in view of improved retention and reflects the first term/careerist mix of our manpower requirements.

USMC

General **Cooper**. The Marine Corps is expanding the career content of its objective force to increase the experience level of the force. This increase in experience, particularly in technical skills, is required to enhance our mobilization capability. During mobilization, a rapid expansion of the force places a significant demand on the career force in order to train and deploy large numbers of personnel.

AIR FORCE

General **Iosue**. The Air Force requirement for career personnel is expanding due to the necessary growth in overall enlisted strength which supports programed force structure increases. However, the percentage of careerists in the force mix has remained quite stable for the past 10 years, ranging from 50–54 percent, and is expected to remain in that range.

PERCENT OF CAREERISTS

Senator **Jepson**. Is the percentage of careerists in the objective forces increasing or just the number of careerists?

ARMY

General **Thurman**. Between fiscal year 1983 and fiscal year 1984 both the number of careerists and percentage of careerists increases slightly, from 306,800 (45.8 percent) to 310,200 (46.3 percent). During the program years the career content is projected to decline slightly in both the number and percentage of careerists.

NAVY

Admiral **Zech**. The percentage of careerists in the objective force is not increasing, but has remained constant during the last 2 years. This percentage, which is approximately 49 percent, represents the percentage of personnel with 5–31 years of service, and has been used in development of objective forces which support the fiscal year 1983 and fiscal year 1984 Presidential Budget submissions.

USMC

General COOPER. Both the percentage and number of careerists are increasing. For example, from fiscal year 1983 to fiscal year 1984 the number of careerists will grow 1,247. During this same period the percentage of careerists will increase from 36.1 to 36.3. The number increase is a function of structure growth and the percentage reflects improved retention.

AIR FORCE

General IOSUE. While the number of Air Force enlisted careerists is increasing significantly, the percentage is not. The decade from 1973 to 1982 included periods of both force decline and growth with enlisted strength varying over a range of more than 115,000. The decade also included the transition to an All Volunteer Force and retention fluctuations from very high to very low. In spite of this instability, the Air Force enlisted career percent varied by only four percentage points (50 percent to 54 percent) over the entire 10-year period. Current projections indicate that the career percent will remain in this range over the foreseeable future.

Senator JEPSON. If the percentages are increasing, why?

ARMY

General THURMAN. The careerist percentage increases 0.5 percent between fiscal year 1983 and fiscal year 1984. This minor increase is necessary to support the increased Top 5 level.

NAVY

Admiral ZECH. The percentage of careerists in the Navy objective force has remained essentially constant through the development of the last two objective forces.

USMC

General COOPER. The percentage in the career force is increasing because of increased retention. As more members are retained there are proportionately fewer first termers in the force.

AIR FORCE

General IOSUE. The percentages are not increasing.

MANPOWER PROBLEMS

Senator JEPSON. In view of current manning short falls of E5 through E7 in all the services, how will increasing the percent/number of careerists in the objective force alleviate the services' manpower problems?

ARMY

General THURMAN. While the Army has historically been short NCO's in grades E5 through E7, we are projecting to fill these in the aggregate, plus the E8 and E9 requirements, by the end of fiscal year 1983. However, some shortages will still exist in the intelligence and chemical skills. Although the Top 5 grade requirements increase between fiscal year 1983 and fiscal year 1984, the career content is projected to be sufficient to meet these requirements and eliminate the remaining shortage in intelligence and chemical skills.

NAVY

Admiral ZECH. Although the overall number of careerists are increasing across the five year defense plan, in total percentage they remain at approximately 49 percent of the end strength including that growth necessary to man the 600 ships. To alleviate or reduce the objective force careerist segment would cause planned shortfalls that affect technical capabilities, training, leadership requirements, and ultimately force readiness. Navy's current plan is to eliminate petty officer and careerist shortfalls by end fiscal year 1988 and to increase total careerist numbers through our retention initiatives. Because of the improved retention we have experienced recently and with continued congressional support of our total compensation package, we believe this plan is feasible and achievable.

USMC

General COOPER. The Marine Corps is not experiencing a significant shortfall in E-5's through E-7's in the total force; however, there are shortages in E-6's and E-7's in some technical skills. With the recent success the Marine Corps has had in retention, primarily as a result of the Selective Reenlistment Bonus program, we expect to be able to meet the increasing requirements for careerists in the objective force.

AIR FORCE

General IOSUE. The requirements for career personnel in the Air Force are not being increased to alleviate current manpower problems. The Air Force requirement for careerists is increasing because of programmatic growth in the total Air Force strength. As the number of careerists increases, the Air Force is using specific management actions to insure that the growth takes place in the skills in which it is needed. These actions include controlling first term reenlistments by skill, recruiting prior service personnel who are fully qualified in shortage skills, returning previously qualified specialists to shortage skills, voluntarily recalling retirees, focusing retraining into shortage skills, permitting members with shortage skills to remain on active duty beyond their high year of tenure, and increasing promotion opportunities for members in critical shortage skills. These management actions, combined with a carefully controlled Selective Reenlistment Bonus, are necessary to resolve skill shortages during this period of force growth.

MANNING SHORT FALLS

Senator JEPSEN. With increasing requirements for the NCO/petty officer grades, is it not likely that the services' manning short falls will become more serious?

ARMY

General THURMAN. The Army's planned growth in the NCO grades appear to be achievable as long as we continue to receive incentives, i.e., support for our retention bonuses, pay comparability, military retirement and medical benefits and quality of life enhancements.

NAVY

Admiral ZECH. Navy has designed a program which will incrementally increase the petty officer levels to the total objective force requirements while at the same time sustain end strength growth to the 600 ships. Under this plan, the TOP-6 petty officer shortfall will be eliminated by end fiscal year 1988 and at the same time total petty officer numbers outlined in the objective force will be obtained. Retention, again, is the key to achieving these strength requirements.

USMC

General COOPER. The Marine Corps is not experiencing a manning shortfall in its NCO grades (E-4 and E-5) and although we are planning for a moderate growth of approximately 2,000 NCO's, we do not foresee any manning shortfalls occurring.

AIR FORCE

General IOSUE. While the Air Force's NCO requirements are growing, our NCO populations in skills with current shortages are generally growing at a faster rate and we are closing the gap. In fiscal year 1982, for example, our Chronic Critical Shortage (CCS) skills shortage peaked at approximately 9,000. The current fiscal year 1983 CCS shortage is approximately 7,000 despite increased authorizations. The gap between requirements and inventory was narrowed because of high reenlistment rates and extraordinary skills management actions: two tier promotions, focused retraining program, boosted and focused prior service accessions, returning active duty members to previously acquired CCS skills, high year of tenure extensions and judicious use of selective reenlistment bonuses. We anticipate our progress filling NCO requirements will continue. An improving national economy coupled with real or perceived reductions to military pay or other entitlements would hamper our efforts.

COSTS ANTICIPATED WITH GROWTH

Senator **Jepsen**. What are the personnel costs associated with the anticipated growth in the NCO/Petty Officer grades of the objective forces for 1983 through 1987?

ARMY

General **Thurman**. The total cost associated with the objective force for 1983 through 1987 is 553.5 million dollars. The costs by year are shown in the table below:

Costs in millions of dollars

Fiscal year 1983	[1] +$295.0
Fiscal year 1984	+165.2
Fiscal year 1985	+72.6
Fiscal year 1986	+21.0
Fiscal year 1987	−0.3

[1] Includes the Oct. 1, 1982, pay increase of 4 percent which amounts to $177 million.

NAVY

Admiral **Zech**. As the petty officers in our current inventory increase to the Navy's objective, and the shortfall is eliminated, personnel costs will be incurred. However, at this time we cannot separate these increased costs from the total cost associated with increasing end strength numbers. To meet the objective of manning the 600-ship Navy, total MPN force costs are programed to be:

	Billions
Fiscal year 1983	$10.66
Fiscal year 1984	11.29
Fiscal year 1985	11.98
Fiscal year 1986	12.37
Fiscal year 1987	12.63

USMC

General **Cooper**. The personnel costs associated with increases in the non-commissioned and staff non-commissioned officers are shown below:

[In thousands of dollars]

	Fiscal year—				
	1983	1984	1985	1986	1987
Sergeant major/master gunnery sergeant	+682.4	+610.6	+646.5	+646.5	+718.3
First sergeant/master sergeant	+4,686.9	+1,074.7	+2,268.8	+2,298.7	+2,119.6
Gunnery sergeant	+11,153.1	+4,491.2	+4,241.7	+4,316.5	+3,917.3
Staff sergeant	+21,848.5	+4,742.3	+4,043.7	+4,107.2	+3,853.1
Sergeant	−3,121.7	−205.6	+130.8	+130.8	+168.2
Corporal	+18,516.6	+645.0	+818.1	+881.0	+833.8
Total	+53,765.8	+11,358.2	+12,149.6	+12,380.7	+11,610.3

AIR FORCE

General **Iosue**. The programed NCO grade growth for fiscal year 1983 to fiscal year 1987 is approximately 5,000 per year at a cost of:

	Millions
Fiscal year 1983	$13.1
Fiscal year 1984	14.0
Fiscal year 1985	14.9
Fiscal year 1986	15.8
Fiscal year 1987	16.1

IMPACT ON SRB

Senator **Jepsen**. What impact will increased NCO/petty officer grades have on the Selective Reenlistment Bonus program?

ARMY

General **Thurman**. The slight increase in the size of the Army E5–E9 strength in and of itself is not indicative of the need for reenlistment bonuses. More important is the quality of the soldier the Army needs to retain in all skills. The Army is currently accessing a high proportion of upper mental test category soldiers. Not only do we need to continue to access these high quality soldiers, but we need to retain them in order to have a competent NCO force. Higher mental category soldiers are more marketable in the civilian sector. Thus, their reenlistment propensity is less than lower mental category soldiers. With expected improvement of the economy, the future retention of high quality soldiers requires monetary incentives—in terms of both pay comparability and reenlistment bonuses. As a result, reenlistment bonus requirements will increase.

NAVY

Admiral **Zech**. The impact on the Navy's Selective Reenlistment bonus program is largely dependent upon two interrelated factors, the first being the required retention necessary to support a careerist inventory. Our current bonus plans are based upon our projected requirements for a 600-ship Navy. This approach will insure that the experienced personnel, trained in the proper skills are readily available when the ships join the fleet. The size of the program is also dependent upon the competitiveness of military wages to civilian alternatives. If regular military pay falls further behind wage growth in the private sector, then substantial bonuses are required to offset the difference. We prefer to maintain wage comparability to minimize SRB requirements so that the basic salary requirements of our force can be satisfied.

USMC

General **Cooper**. The moderate growth in NCO grades coupled with the increase in career force content will not have an overall impact on the Selective Reenlistment Bonus program. As the force is aged there will be a shifting of payments within the program to meet the need of retaining personnel at the first reenlistment point (fourth year of service). This will cause an increase in the total number of new payments required, but the average amount of each payment will be lowered such that the total dollar requirement for new payments will remain the same.

AIR FORCE

General **Iosue**. The numbers and the distribution of increased NCO grades among the skills determines the impact upon the Selective Reenlistment Bonus (SRB) program. Adding strength in skills with high reenlistment rates will not change the SRB program because it would not be cost effective to add SRB to skills where reenlistments were already high. Adding strength in skills that have reenlistment rates that can be improved and which meet other Department of Defense criteria would increase the SRB program. Our fiscal year 1984 SRB program was built on the assumption that current high retention levels would continue and that end-of-year fiscal year 1984 manpower authorizations in the President's budget would remain firm.

NAVY MANNING IMBALANCES

Senator **Jepsen**. Admiral Zech, what initiatives is Navy taking to address the problem of skill imbalances? Does Navy have a program aimed at eliminating surpluses of personnel in overmanned occupations?

Admiral **Zech**. Specific management actions have been taken to address the problem of skill imbalances in Navy. Controls are in place at the accession point, the school pipelines, in striker designation procedures, at reenlistment decision points and in career growth and continuation criteria. A coordinated team effort is used to develop accurate growth and maintainability requirements to meet long range Navy needs. These requirements are used to structure recruiting goals and establish Enlistment bonus eligibility for specific ratings, as well as "A" school seat requirements to train accessions. Entry into ratings by non-designated personnel has been significantly tightened to channel manpower assets into the more critically undermanned ratings. Controls established at the reenlistment decision point include a more discretely targeted Selective Reenlistment Bonus program, aimed at the most critically manned ratings requiring additional reenlistment incentives. Conversely, Navy has taken a firm stand with regard to forced conversions and denial of reenlistment authority for personnel in ratings with career manning in excess of 110 percent of Objective Force needs. A final control also exists in Navy's reenlistment quality control policy, which links professional growth criteria to maximum period of active duty.

Navy's program aimed at eliminating manpower surpluses is the Career Reenlistment Objectives (CREO) program. CREO compares both present and projected inventories in each rating to expected future requirements to anticipate, and thereby prevent, tomorrow's shortages and surpluses. CREO restricts entry into ratings where surpluses exist by controlling fleet inputs and by prohibiting conversion from undermanned ratings. Conversely, conversions out of overmanned skills are encouraged and may be required for reenlistment. CREO is updated semi-annually to keep abreast of fleet manning dynamics.

Senator **Jepsen**. Does the Navy allow personnel to reenlist when their occupations are overmanned?

Admiral **Zech**. Navy's Career Reenlistment Objectives (CREO) directive establishes increasingly restrictive reenlistment controls as career manning levels in a particular rating reach and exceed 100 percent of Objective Force. Specifically, personnel in ratings with career manning between 101 percent and 110 percent are counseled concerning the advisability of rating conversion due to their potentially limited advancement and career opportunities. Ratings with career manning in excess of 110 percent fall under the direct control of Commander, Naval Military Personnel Command who is the sole approving authority for any first term reenlistments or extensions to an initial enlistment. The majority of personnel in this category are required to convert to another, more critically undermanned rating in order to reenlist. Those who are not converted are separated from active duty. As an additional control those personnel who elect to separate from the service are not permitted to subsequently reenter the Navy in any overmanned rating.

ULTRA-VEAP PROGRAM

Senator **Exon**. Admiral Zech, the Army is the only service to have chosen to fund the Ultra-VEAP program. Has Navy recruiting been affected by the Army's decision to offer this enhanced educational benefit to potential recruits?

Admiral **Zech**. We have not isolated any evidence which shows that Army Ultra-VEAP is hurting Navy recruiting. However, recent cuts in the Navy Recruiting Budget ($11M in fiscal year 1982, $15M in fiscal year 1983 and 444 recruiters/support personnel in fiscal year 1983) combined with an improved economy and declining manpower pool leave little doubt that Army could very well have a distinct advantage in the future.

Senator **Exon**. If so, is the Navy considering the possibility of offering a similar Ultra-VEAP incentive?

Admiral **Zech**. It should be noted that while Ultra-VEAP may be a good incentive for recruiting purposes, it is not considered to be a good program for the Navy. The reason is that Navy requires a career force of experienced personnel. Therefore, while Ultra-VEAP may attract personnel to enlist, it is an incentive to leave at the end of four years because the individual must leave the service and attend college to collect Ultra-VEAP. The Navy believes this is counter to our retention program. For these reasons, Navy is not considering the possiblity of offering an Ultra-VEAP program.

MILITARY PAY INDEX

Senator **Jepsen**. Secretary Korb, the method that is used to annually adjust military pay must seem increasingly arbitrary to our men and women in uniform. The Defense Department now appears to have abondoned the PATC standard of comparability in favor of "competitiveness." Is not that a major change in policy?

Dr. **Korb**. No. Military pay is not now, nor ever has been, based on comparability as that term has been technically defined for the Federal civil service, i.e., a matchup of salary levels to achieve equal pay for equal work. The fact is that there are many military occupations for which there are no civilian counterparts, and even in those occupations which are similar, there are such differences in the conditions of service that determination of comparability would be exceedingly difficult. if not impossible. When this administration came into office, it was obvious that military pay would have to be increased in order to stem the exodus of career personnel from the services, and to make entry level pay more competitive to attract higher quality recruits. The question was not whether to increase pay, but rather how much. A number of options were considered, and it was finally decided that a comparison of PATC and military pay raises since 1972 would produce a fairly good approximation of the magnitude of the increase required. The answer that was produced from that comparison—5.3 percent—was eventually incorporated in the 14.3 percent pay increase of October 1981. There was nothing magic about the 14.3 percent figure. It could have been 14 percent, or 15 percent, or some other figure. The exact figure was not important. What was important was that military personnel be given a substantial pay raise to increase their standard of living and that military pay regain its competitiveness with private sector pay. So while the 14.3 percent increase did not achieve comparability in the strict technical sense—equality of pay levels—it did approximate the increase we believe was necessary at that time.

Our policy on military pay increases has not changed. We continue to believe that, under normal circumstances, military personnel should receive a pay raise each year that roughly matches private sector wage growth. However, we believe, as we always have, that we should not be bound to a rigid index, but rather should have the flexibility to give military personnel a raise smaller, or greater, than that indicated by any particular index.

Senator Jepsen. Do you believe in the general principle that military pay should be comparable to that in the private sector?

Dr. **Korb**. As indicated in answer to the previous question, we do not believe that "comparability" can be defined for military personnel. We do believe that, under normal circumstances, military personnel should receive pay increases each year that approximate private sector wage growth.

Senator **Jepsen**. If so, does the Defense Department support the recommendation of the Military Manpower Task Force that the Employment Cost Index should be used to periodically adjust military pay?

Dr. **Korb**. Yes, we believe the Employment Cost Index (ECI) is more representative of the skill mix of the Services and is the best available index to use for adjusting military pay.

Senator **Jepsen**. Can you realistically compare the military with the private sector? If so, what elements of military compensation should be included in the comparison?

Dr. **Korb**. No. There are many military occupations for which there are no civilian counterparts, and even in the occupations which are similar, the conditions of military service, such as frequent moves, family separations, overtime without pay, etc., make comparisons with the private sector extremely difficult, if not impossible.

Senator **Jepsen**. Do apprentices in private industry receive the same level of comparability increases as the more skilled and experienced workers receive?

Dr. **Korb**. Pay practices vary widely in the private sector depending on the type of industry, whether or not the workers are unionized, whether there are formal training programs, etc. The Department of Defense does not have readily available the detailed information with which to make an overall judgment as to whether apprentices receive smaller, or larger, pay increases than skilled and experienced workers.

Senator **jepsen**. Please provide for the record statistics on the wage growth for 17-20 year olds in the private sector over the past 20 years.

Dr. **Korb**. Data on wage growth for 17-20 year olds over the past 20 years is not readily available from the Bureau of Labor Statistics. They could provide median weekly earnings for full-time workers, ages 16-19, since 1973. This data is as follows:

Median weekly earnings

Year:	
1973	$95
1974	105
1975	108
1976	112
1977	118
1978	127
1979	143
1980	153
1981	163
1982	167

RECRUITING AND ADVERTISING DOLLARS

Senator **Jepsen**. Secretary Korb, in the past, Congress has often cut recruiting and advertising resources to yield immediate cost savings. Could you describe the recruiting and advertising program that has been proposed for fiscal year 1984?

Dr. **Korb**. We are especially concerned about the tendency to cut recruiting and advertising resources to yield immediate cost savings as we face the recruiting challenges of fiscal year 1984. We will be recruiting in an environment of an improved economy and facing the realities of a decreasing youth population. We believe that the proposed recruiting and advertising program will allow us to continue our recruiting successes while meeting the requirements of the All Volunteer Force. The following table compares the fiscal year 1983 resource estimates with the recruiting and advertising resources requested for fiscal year 1984.

ACTIVE FORCE—RECRUITING AND ADVERTISING RESOURCE ANALYSIS [1]

[In millions of dollars]

DOD program	Fiscal year 1983 estimate	Inflation annualization	Program growth	Fiscal year 1984 budget requested
Enlistment bonus	135.0	+5.3	+16.8	157.2
Military pay	402.6	+9.0	+7.5	419.0
Civilian pay	45.3	0	+1.2	46.5
Advertising [2]	130.9	+6.9	−2.1	135.6
Recruitng support [3]	292.7	+17.1	+12.8	322.5
DOD total	1,006.5	+38.3	+36.2	1,080.9

[1] Note.—Totals may not add due to rounding.

[2] Includes service and joint advertising programs.

[3] Includes recruiter and recruiter assistant support, communications, recruiting facilities and joint market research.

The major sources for the estimate program growth of $36.2 million are shown in the following table.

DISTRIBUTION OF PROGRAM GROWTH

[In millions of dollars]

Program	Army	Navy	Marine Corps	Air Force	Joint program	Total DOD
Enlistment bonus	[1] 10.7	[1] 5.4	0.9	−0.2	....	16.8
Military pay	.7	[1] 5.9	0	.9	....	7.5
Civilian pay	.7	0	.5	0	....	1.2
Advertising	−1.9	0	0	0	−0.2	−2.1
Recruiting support	[1] 5.9	.5	−.4	[1] 4.2	[1] 2.6	12.8
Total	16.1	11.8	1.0	4.9	2.4	36.2

[1] Major source of program growth.

Army: Growth in the enlistment bonus program and recruiting support is required to achieve a planned increase in male high school graduate enlistments and complete the on-going congressionally mandated enlistment bonus test.

Navy: The increase in the Navy enlistment bonus program is to obtain longer terms of service for critical Navy ratings. Increase in military pay is primarily for recruiter assistants.

Air Force: The Air Force program growth is required to achieve an increase of approximately 11,000 (17 percent) non-prior and prior service enlistments compared to fiscal year 1983.

Joint programs: Increases in recruiting support are due to the congressionally supported test to determine whether increased joint advertising will permit reductions in total DOD advertising requirements and for the recruiting facilities program to achieve essential station relocations.

RECRUITING AND ADVERTISING DOLLARS

Senator **Jepsen**. Would any of the service representatives like to comment on the value of their recruiting and advertising dollars?

ARMY

General **Thurman**. The Army's fiscal year 1984 recruiting and advertising budget request represents a very modest real growth of only 3 percent over the fiscal year 1983 level after distribution of the Congressional reduction. The increased funding level is required to compensate for a 4,000 increase in the Army's male high school diploma graduate (HSDG) objective. Additionally, data extracted from U.S. census figures indicate that the pool of eligibles will be shrinking throughout the remainder of the decade. This problem will be compounded if the predicted economic recovery materializes. The fiscal year 1984 advertising budget request is less in real terms than the fiscal year 1983 level. It is essential that we maintain media pressure in the market place. There is a lag effect that sometimes takes up to 24 months from exposure to a message before a potential recruit makes contact with a recruiter. Unaided recall of Army advertising is up by more than 20 percentage points (1981 vs 1982), and the Army positive indicators reflect that Army is now second among the services in the minds of young Americans. Finally, both the Congressional Budget Office and the Army have predicted that without extraordinary efforts the 4 percent pay cap will cause a loss of high quality recruits. Loss of recruiting and advertising funds precludes the Army from offsetting the lack of pay comparability.

NAVY

Admiral **Zech**. The value of Navy's recruiting and advertising dollars in fiscal year 1984 is dependent upon the state of the economy, unemployment rates and the residual effects of the fiscal year 1982 and fiscal year 1983 budget reductions. Because of the requirement to fund fixed operating costs (civilian personnel salaries, telephones, vehicles, ADP and applicant travel, lodging and subsistence) and other essential costs for training, quality control and administration, Navy was forced to take the majority of fiscal year 1982 and fiscal year 1983 reductions in programs that provide Navy awareness. There has been no Navy unique television advertising since May of 1982 and radio advertising has been reduced by 73 percent.

Today's recruiting market has been conditioned by the exposure to advertising and awareness programs of the past. The recent hiatus of Navy's message will affect accessions in months and years to come. The impact of Navy advertising, as measured by advertising awareness, has significantly decreased since 1981 according to recent independent Youth Attitute Tracking Survey (YATS) and Congressional Budget Office analyses and is likely to further erode in 1984–1985 since Navy's fiscal year 1984 advertising budget does not include sufficient dollars to restore broadcast media.

The following quote from the October 18, 1982, Military Manpower Task Force report to the President is considered germane to any discussion concerning recruiting requirements for the next 3–4 years. The report states that recruiting and manning problems between 1976–1980 were caused by two factors. "First, compensation for military personnel was allowed to become less competitive. Caps on military pay were imposed in several years, funds for enlistment and reenlistment bonuses were reduced, the GI bill was terminated for new entrants to the force, and recruiting manpower and funds were cut. Second, unemployment rates in the civilian sector declined, creating attractive alternative job opportunities for both potential recruits and experienced members of the force."

The military pay and compensation packages in fiscal years 1981–1982 provided the necessary resources to reverse the negative trends of the late seventies. Based upon recent economic indications of an improving economy, the one year freeze of military pay and the shrinking population of available 17–21 year olds, it is clear that recruiting will become much more difficult in the years ahead. We believe that our fiscal year 1984 recruiting and advertising budget is the minimum amount necessary for us to do our job in the increasingly competitive recruiting environment which will develop in the next few years.

USMC

General **Cooper**. The budget request for recruiting support and advertising can best be described as an investment in the future quality of the Marine Corps. The present funding level for support has enabled recruiters to reach into markets of unprecedented applicant quality and as a result has contributed significantly to current successes. For example, the number of high school graduate accessions for fiscal year 1983 is projected to reach 90 percent (a 10 percentage point increase over fiscal yerar 1981 achievements). The fiscal year 1984 recruiting support budget request is essentially a level program from the current funding and is designed to maintain the level of recruiter success currently enjoyed. Any decrement from this funding level would result in less support for recruiters and could impact on recent quality successes. Recruiting Advertising funds requested for fiscal year 1984 also represent a level program from fiscal year 1983. Advertising keeps Marine Corps awareness in the eye of the target market, the high school senior/recent graduate. The Marine Corps relies on its contracted agency to achieve advertising goals in the most cost effective manner. Inadequate price growth allowances and a level funding profile in fiscal year 1984 will reduce the Marine Corps' use of radio and television advertising. Any further reduction of funds would severely restrict already limited advertising programs.

EQUAL SELECTION OPPORTUNITY

Senator **Jepsen**. General Iosue, until recently, the Air Force promoted enlisted personnel under its equal selection opportunity promotion program. Under this policy, promotions were apparently made without regard to need in a specific occupation. The Air Force has at least temporarily modified this policy by designating certain skills "chronic critical shortage skills," providing that these skills receive more promotions than the noncritical ones, and limiting promotion in overmanned skills.

To what extent did the Air Force's equal selection opportunity promotion policy contribute to its current skill imbalance problems?

General **Iosue**. Skill imbalances (overages and shortages by skill) can be caused by numerous factors including force structure decisions, budgets, pay, strength ceilings, and the structure of specific skills. As mission requirements and force structures change, so do manpower authorizations. Accession levels vary from year to year and loss rates, retention rates, and retirement timing vary over time and between skills.

It is impossible to separate and quantify the retention impacts of the promotion system, the economy, pay and compensation, selective reenlistment bonuses, and other influences. In general terms, however, we have concluded that equal selection opportunity (ESO) improved overall retention, and that our current departure from ESO is improving retention in those skills where shortages can have the most serious impact on readiness.

The Air Force did promote to fill skills vacancies until 1972, at which time the policy of ESO was adopted. The pre-ESO system caused widespread promotion stagnation and large swings in promotion rates from year to year. EOS's relative stability and widely perceived equity have eliminated the unpredictability and negative retention impacts of the former system. A slight adjustment in our ESO promotion system is one of several initiatives designed to improve manning in the chronic critical shortage skills.

ADDITIONAL PROMOTIONS

Senator **Jepsen**. How many additional promotions per year were necessitated as a result of the promotion policy change? How much will the additional promotions cost?

General **Iosue**. The policy change involved a redistribution of promotions between the group of chronic critical shortages (CCS) skills and the group of non-CCS skills. Without the change the promotions would have been allocated uniformly among all skills. No increase in promotions above those already programmed was required as a result of this policy change.

RETURN TO EQUAL SELECTION

Senator **Jepsen**. Does the Air Force expect to return to equal selection opportunity at some future time? Why?

General **Iosue**. The promotion system is neither the sole cause of nor the sole cure for shortages. The change in the promotion system is one of several initiatives to improve skills manning in chronic critical shortage AFSCs and will last for a minimum of 3 years. As we progress, we will evaluate the need to continue to deviate from equal selection opportunity. Our objective is to preserve equal selection opportunity to the maximum degree consistent with our readiness requirements in order to provide the fairest and most equitable promotion consideration for all airmen.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

INCREASE IN SPECIAL OPERATIONS FORCES

Senator **THURMOND**. General Iosue, the Army has committed itself to a substantial expansion of its Special Operations Forces capability during fiscal year 1984. Air Force special operations assets dedicated to support these missions however, are insufficient for present general war scenarios. What increase in Special Operations Forces are planned by the Air Force in the near term?

General **IOSUE**. The Air Force has funded for additional aircraft such as MC-130H and HH-60D, as well as entered into the tri-service development program for the JVX (Joint Vertical Lift Experimental) aircraft.

SPECIAL FORCES RECRUITING

Senator **THURMOND**. General Thurman, a few years ago Army special forces was required to lower its GT test score requirements from 110 to a minimum acceptable score of 90. As I understand it, this was largely in response to an unfavorable recruiting environment at that time. Since the recruiting environment has greatly improved, have the requirements for entry into special forces been increased to original high level and if not, why not?

General **THURMAN**. The special forces prerequisites are under review by a Department of Army ad-hoc working group. This group was established to review special operations functions, which include special forces. Establishing a General Technical (GT) score of 110 is being considered by the working group in view of the level of academic ability needed for training in the various specialties for special forces (weapons, medical, engineer, communications, and operations and intelligence). A minimum GT score of 110 will provide a better measure of overall trainability which includes language training for special operations. The work group is scheduled to present their findings and recommendations to the Army Staff during the latter part of June 1983.

Senator **THURMOND**. General Thurman, in recent years approximately 70 percent of the new accessions in special forces has been first-term enlistees with only 30 percent being more qualified or more experienced non-commissioned officers. As I understand the mission of special forces, there are very few requirements for junior enlisted men. In fact, I believe the minimum grade requirements for an individual on a deployable detachment is E-5. What steps are being taken to recruit more experienced non-commissioned officers for special forces duty?

General **THURMAN**. The Army recognizes the increased demand for experienced non-commissioned officers to support its expanding special forces capability. A Special Operations Working Group is currently examining two strategies to meet these non-commissioned officer requirements. One is directed toward filling a majority of these requirements through an active in-service procurement of soldiers possessing special forces potential. In addition, the Army is conducting a market analysis to determine how best to capitalize on the utilization of special forces prior service personnel.

Senator **THURMOND**. What reenlistment incentives or bonuses are offered to E-5s and E-6s to encourage them to volunteer for the rigors of special forces training and assignment?

General **THURMAN**. Selective Reenlistment bonuses are offered to 14 skills with an Airborne or Special Forces additional skill identifier. The application of bonuses to these skills acknowledges the criticality of the Airborne and Special Forces mission and serves as an incentive in attracting volunteers into these fields. Also, promotion incentives are afforded all Airborne and Special Forces qualified and assigned E4s and E5s enhancing their promotion potential above those not serving in Airborne or Special Forces positions.

SPECIAL PAY FOR LINGUISTS

Senator **THURMOND**. General Thurman, all services pay flight pay to pilots and jump pay to service members who are assigned to parachute duty. No incentives are paid to those service members who are bi-lingual or multi-lingual and use those skills in their work. These skills are very difficult to maintain and are very important.

Has the Army given any consideration for some form of incentive pay for some service members assigned to intelligence military occupational specialties or special forces assignments to encourage the maintenance of those highly perishable language skills?

General **Thurman**. We considered implementing such an incentive during the development of the overall Army program. However, when considered within the context of fiscal constraints and other higher priority programs, special pay for linguists could not be supported for inclusion in this budget. The earliest year that the program could be funded within fiscal guidance is fiscal year 1987. That program calls for a monthly incentive pay to soldiers serving in intelligence and other career fields which require linguist skills in the performance of their duties. The pay would be tied to new diagnostic tests being prepared by the Defense Language Institute Foreign Language Center.

QUESTIONS SUBMITTED BY SENATOR J. JAMES EXON

MILITARY PAY

Senator **Exon**. Secretary Korb, I would like to discuss the issue of how we set the annual military pay raises.

Last year, in an interview with Air Force Times, you were quoted as saying that the Reagan administration is committed to keeping service pay "comparable" with pay in the private sector. You also criticized the Carter administration, saying "they never committed themselves to maintaining any type of comparability."

It now appears the administration is changing their views on this matter.

Secretary Weinberger said in a recent letter to me that he looks forward to working with Congress to insure "that military personnel receive equitable and competitive rates of pay."

You were quoted last week in Army Times as saying that the question of what the annual military pay raise should be is "What's fair and what's equitable?"

Dr. Korb, as you know for the past several years, right or wrong, both Congress and the Defense Department have used the annual changes in the Professional, Technical and Clerical (PATC) index as an objective standard to measure military pay comparability.

Do not your remarks and those of Secretary Weinberger suggest that you are now abandoning this principle of an objective standard of comparability for military pay in favor of competitiveness?

Dr. **Korb**. Our policy is the same as it has always been; i.e., we believe, under normal circumstances, that military personnel should receive an annual pay increase that approximates wage growth in the private sector. We do not believe, however, that we should slavishly adhere to a particular index. We should have the flexibility to give military personnel a pay raise that is smaller, or greater, than that indicated by an index of private sector wage growth.

Senator **Exon**. Why have you made this change in policy?

Dr. **Korb**. There has been no change in policy. As has always been the case, we believe that military personnel should receive fair and competitive rates of pay.

Senator **Exon**. How do you measure the "competitiveness" of military pay? Does this mean if recruiting and retention are going well, then there is no need to raise military pay?

Dr. **Korb**. By competitive, we do not mean that if recruiting and retention are going well, there is no need to raise military pay. We believe that military pay will be competitive if pay raises, over the long run, approximate private sector wage growth. Further—and this is a point often ignored in the current debate on military pay raises—competitive means we will continue to make improvements in the other components of the military compensation system which are not captured in the pay raise process. For example, over the past 2 years a Variable Housing Allowance (VHA) program has been implemented, substantial increases have been made in reimbursements for moving expenses, and Special and Incentive pays have been much improved. None of these actions, which have markedly improved the military compensation package, has entered into the "comparability" computations.

Senator **Exon**. Do you believe that we should abandon an objective standard for measuring military pay in favor of "competitiveness"? How would each of you define "competitiveness?"

ARMY

General **Thurman**. An objective standard is needed to measure military pay against similar private sector employment. The term "competitiveness" implies that we are able to obtain the share of the youth market and retain sufficient experienced soldiers to satisfy force structure requirements, regardless of the general economy. In order to stay proactively competitive, a relatively consistent comparability measure is essential to avoid the pitfalls and delayed get-well effect caused by a pay lag. If comparability with private sector wage growth is maintained, we should remain competitive with the market in any economy.

NAVY

Admiral **Zech**. I am opposed to abandoning the objective standard of comparability for measuring the adequacy of military basic pay and allowances. The concept of comparability provides a reassuring element of stability to our members and represents the commitment of the administration and Congress to adequately provide for their needs. Without this objective standard there would be no basis up which to measure the fairness of the compensation system. An objective standard of comparability also provides for the degree of stability and predictability that is necessary to support our institutionally-based value system. I also do not think it is an "either," "or" situation in regards to comparability and competitiveness. The military compensation system is structured to be competitive with the private sector by building on a basic pay and allowance system comparable with opportunities in the private sector, with flexible special pays and bonuses which are tailored to make cash pay competitive for specific training, skills or duties. The compensation system is rounded out with institutional benefit programs which recognize the uniqueness of military life.

I would define competitiveness in compensation as the quality of our total compensation package which makes it sufficiently attractive to allow the Navy to recruit and retain the desired numbers and quality of members to meet our national defense objectives. It is founded on comparability in basic pay and allowances, and is supported by a flexible system of special and incentive pays and bonuses and a strong institutional benefits package which includes our retirement system.

USMC

General **Cooper**. It is important to recognize that the principal purpose of any compensation system is to attract and retain the desired numbers and kinds of people in a fair and cost effective manner. We have found over the years that we are best able to do that when the pay of military people is roughly comparable to that being paid in the private sector; so we favor a comparability pay standard that is kept current by being tied to the Employment Cost Index.

As I understand the term "competitiveness" it means paying, or trying to pay, each person exactly what one has to to keep him in the service. It implies different basic pay schedules to meet the different needs among and within the services, which of course change fairly often. It also implies, I believe, an approach that probably would not take into account the most important compensation interest of the Marine Corps—a pay system tuned to a unified fighting force whose principal occupation is unit readiness and whose principal individual is a rifleman. In other words, a "competitive" pay system might well disregard institutional values in favor of economic values.

AIR FORCE

General **Iosue**. I believe that changing from the time-tested comparability based pay system to a competitive concept would be a serious mistake. In my opinion, competitive is a very vague and abstract term having relatively little value or meaning to the military pay system. As such, it defies definition and would be incomprehensible to our people.

The best example of a competitive pay system was between 1975 through 1979 when leadership consciously decided that pay caps would not adversely affect retention. This proved to be a severe miscalculation. With pay caps and reallocations, the military pay system became unstable and unpredictable with devastating recruiting and retention effects. Had the current comparability based system been allowed to work as intended during the 1970's we would not have suffered the recruiting shortfalls or the alarming exodus of experienced careerists that we did.

The existing system of pay and allowances linked to comparable levels in the private sector strongly supports the institutional nature of military service and should be retained.

Senator EXON. Dr. Korb, Secretary Weinberger said in his recent letter to me that "The PATC (Professional, Technical and Clerical) index is inappropriate for adjusting military pay because it is unrepresentative of the skill mix of the military services. The Employment Cost Index (ECI) is a much better index for adjusting military pay.

Since you seem to have abandoned the principle of an objective standard for adjusting military pay, why do you think one index is better than another?

Dr. KORB. We have not abandoned the use of an index of private sector wage growth for adjusting military pay. Our position is that we should not be rigidly locked in each year to a particular figure no matter what the circumstances. We anticipate that in most years military personnel would receive the increase indicated by the index, and we believe that the Employment Cost Index (ECI) is the best mechanism for this purpose. However, we would like to have the flexibility to give a smaller, or larger, military pay increase if circumstances dictate.

Senator EXON. Do you intend to propose legislation to the Congress linking changes in military pay to changes in the ECI?

Dr. KORB. Yes. We are currently staffing legislation and intend to submit it to Congress shortly.

RESTORING COMPARABILITY

Senator EXON. General Iosue, you say in your statement that "to avoid problems comparable to the late 70's (military pay) comparability must be restored in fiscal year 1985".

How large a pay raise do you estimate will be required in fiscal year 1985 to restore military pay comparability?

General IOSUE. It depends on the private sector wage index used to measure comparability. Using the professional, administrative, technical and clerical (PATC) workers survey as the comparability indicator, we would need an 18.3 percent military pay raise in fiscal year 1985 (to restore comparability to October 1, 1981 level) (assumptions: 1983 PATC=6.5 percent; 1984 PATC=5.5 percent). Using the Employment Cost Index (ECI), we would need a 16.3 percent fiscal year 1985 military pay raise (assumptions: 1983 ECI=6.1 percent; 1984 ECI=5.5 percent).

MILITARY RETIREMENT

Senator EXON. Dr. Korb, as you know, one of the proposals in the President's fiscal year 1984 budget is to permanently reduce future cost-of-living adjustments for all Federal retirees below age 62.

Under this proposal, military retirees below age 62 would receive only one-half of the annual cost-of-living adjustment otherwise allowed by law.

I know that Congress last year in the 1982 Reconciliation Act included a provision granting only one-half the annual cost-of-living increase for Federal retirees under age 62 for the next three years, but the President is proposing making this temporary measure permanent law.

Dr. Korb, is not this a rather fundamental change to the military retirement system? Does this not make military retirement a two-tiered retirement system?

Do you think this change, if enacted, would have any effect on retention in the career force, especially in the enlisted career force?

Dr. KORB. In relation to the first question, it must be noted that the administration is not recommending a change to the fundamental system itself. The eligibility for, and the entitlement to, a military retirement has not been proposed for change. The criteria for retirement under the non-disability, disability, and nonregular retirement systems would remain intact. The change has concentrated upon the cost-of-living adjustment mechanism subsequent to retirement, rather than the fundamental system itself. The change emphasizes the supplemental income replacement function of military retired pay instead of an old-age income maintenance function. The old-age income maintenance purpose is met with full adjustments when a member reaches age 62. The structure of the basic system itself recognizes these two functions and has been designed to support them through the initial eligibility and entitlement criteria.

Does not this make military retirement a two-tiered system? A two-tiered system often refers to a difference in initial levels of entitlement based on various criteria. Such is not the case in the administration's proposal. Initial levels of entitlement would remain as presently structured. The formula for computation of retired pay at date of retirement would continue to be based on a multiplier of 2.5 percent for each year of service between 20 and 30. Similarly, the existing entitlement formulas for disability and non-regular retirements do not change. We do not believe this establishes a two-tiered system, but preserves the current initial entitlement system.

With regard to retention as asked in the third part of the question, undoubtedly there will be an initial impact on the career force. Predictably, a reduction in retention for the near-term can be expected. Whenever there is a change to a major personnel or compensation system, there will be a corresponding change in retention levels. This often reflects individual perceptions. This proposal is no different. The same type reaction was experienced when the 1963 law was passed moving retired pay adjustments from active duty increases to cost-of-living percentage adjustments. We have no firm experience data on the impact on retention from this proposal; however, we have subjected this change to our retention models for the possible retention impact. Under a 5 percent Consumer Price Index growth beginning October 1, 1983, to the end of fiscal year 1988, our models indicate a loss of about 20,000 career enlisted members using a 10 percent discount rate at 20 years of service.

Senator Exon. Dr. Korb, I have seen analyses which suggest that this change to the military retirement system will reduce the retirement earnings of an E–6 with 20 years of service by anywhere from 35 percent to 56 percent, depending on the inflation assumptions in the future.

Do you agree with these figures? Is this not a rather substantial reduction to the value of military retirement?

Dr. Korb. We have no argument with the statistics quoted. when compared to the present system and the projected benefit from that system, the administration's proposal obviously will reduce lifetime earnings. The comparison reflects an anticipated benefit projection that must meet the realities of future inflatioin, wage growth, and discount rates. Various economic assumptions will alter projected values either up or down; the variables are numerous.

As to the value of the retirement system, I believe the system would remain a valuable incentive to enter and remain in military service. The 20-year retirement is preserved, and retired pay would continue to provide a supplemental income reserve for post-service years. Members would still have the opportunity to expand their professional and career options with a post-service income flow to afford them personal flexibility.

COLA FOR MILITARY RETIREMENT

Senator Exon. Gentlemen, what are your feelings on the proposal to limit annual cost-of-living adjustments for military retirees below age 62?

ARMY

General Thurman. As I stated earlier, I think it would be devastating if this becomes a permanent piece of legislation. We know that the military retirement system is a primary consideration among careerists for staying in the Army. When it is laid out for people to see what it means in loss to their retirment income stream, coupled with a four percent pay cap in 1983 and a proposed freeze in 1984, I think many servicemembers will question the credibility of our leadership. It most certainly wold be seen as a "breech of contract" with the government making unilateral changes; therefore, the Army may be perceived as an "unreliable employer."

NAVY

Admiral Zech. Senator Exon, I personally believe the impact of a permanent 50 percent cap on cost-of-living adjustments (COLA) to military retirees under age 62 would be devastating both to the individual members and to Force retention. It would break faith with our personnel. The commitment to preserve the real value (purchasing power) of military retired pay has been in place for a very long time. Prior to 1 June 1958 this was accomplished by the practice of "recomputing" retired pay whenever active duty pay was raised. In 1963 we shifted to the mechanism of linking COLA adjustments to the consumer Price Index (CPI) for two stated reasons. The first was to be more equitable to all concerned while protecting those on the retired lists from suffering real income erosion from inflation. The second reason was simply to effect budget reductions. A permanent 50 percent COLA cap would now make further budget reductions at the expense of both active and retired personnel. It is impossible to satisfactorily explain such a proposal to our careerists who have served for many years expecting to receive what we have promised them. Earlier in this hearing General Iosue pointed out the basic inequity of the disproportionate effect this proposed cap would have on military members compared to all Federal employees. To expect, however, that military members should shoulder such a loss in lifetime earnings, in addition to the other burdens they accepted during a full military career is not reasonable. The real risk that we run is to destroy our members' faith in the reliability, integrity, and stability of the compensation system. Once that happens, we could not accurately predict the budget costs required to restore retention and morale to current levels.

USMC

General **Cooper**. The Marine Corps is strongly opposed to the proposal to limit COLA adjustments for retirees below age 62. It would result in a significant reduction in the real value of retired pay, particularly for the enlisted retiree, and the impact would be greatest when the retiree's earning power was least. For example, assuming a 6-percent inflation rate is future years, the purchasing power of the retired pay of a typical enlisted retiree would be reduced by almost 50 percent at age 62, compared to what it would be under the current law. The implications of such a proposal are obvious. The services would experience extreme difficulty in retaining experienced, highly qualified personnel. As a related matter, it seems clear that any significant change to the retirement system should be made only after the most careful examination by the Services, and in general, should protect members who have accrued a significant stake in the present system.

AIR FORCE

General **Iosue**. I believe that the proposal to cap cost-of-living adjustments for retirees under 62 represents a significant reduction in lifestream retired pay that would adversely impact morale, retention, and the value of the military retirement system as our most vital career incentive. To put the severity of the change in perspective, the lifestream retired pay of a Master Sergeant, retiring after reaching high year tenure at 26 years of service (YOS) would be reduced by $81,000 (1983, assuming a 4 percent inflation rate). An equivalent way of viewing the potential impacts is that the 50 percent COLA cap effectively reduces a Master Sergeant's retired pay multiplier for 26 YOS from 65 percent to 52 percent of basic pay.

There is a very substantial risk that if Congress enacts the permanent 50 percent COLA cap it could preempt the retirement reforms being considered by the President's Fifth Quadrennial Review of Military Compensation (Fifth QRMC). It would be difficult to propose any meaningful structural changes to the retirement system if the Fifth QRMC had to work around the 20 to 40 percent loss in lifestream retirement income resulting from the cap.

EFFECTS OF PROPOSAL ON RETENTION

Senator **Exon**. Have any of you done any analysis of the effects of this proposal on retention in the career force, especially the enlisted career force?

ARMY

General **Thurman**. Our analysis has been primarily in the costing area. For example, we estimate that an E–7 retiring at 20 years would lose 52 percent of his retirement income in current dollars and that an E–9 retiring at 30 years would lose 35 percent of his retirement income in current dollars. While the exact impact of the proposal is difficult to assess, we can be assured that our careerists will not take it lightly—we perceive the force management impact will be significant.

NAVY

Admiral **Zech**. We conducted an analysis of the retention effects of a permanent 50 percent cost of living adjustment (COLA) on the retention of career enlisted Navy personnel. We assumed that the caps began this year as a result of the 1982 Omnibus Budget Reconciliation Act and then became permanent after fiscal year 1985, when the current 50 percent COLA caps would lapse. We also assumed that the long term inflation rate (5.7 percent) predicted by the Office of Management and Budget (OMB) occurred beginning in fiscal year 1987. The results were:

Lost careerists

Fiscal year:	
1984	4,500
1985	7,000

1986	10,100
1987	12,900
1988	14,200

Note: The losses are cumulative.

USMC

General Cooper. The Marine Corps is doing some preliminary work with the Annualized Cost of Leaving (ACOL) model and will be happy to furnish you with the results of this effort once it is completed.

AIR FORCE

General Iosue. We would expect significant, adverse impacts to result from this proposal. As you know, retirement benefits have been repeatedly shown to be the number one reason that our careerists (both officer and enlisted) remain in the service. This permanent half COLA proposal would dramatically reduce an individual's lifetime retirement pay; for example, an average officer would lose about 25 percent of his lifetime retirement pay and an average enlisted member would lose about 30 percent (assuming average years of service retirement points and historical 20-year average CPI of 6 percent). These losses are equivalent to reductions in the retirement multiplier of the same magnitude. To help us capture the retention impact on the force from such a drastic change to the retirement system, we recently asked service members how they would react to a 20 percent reduction in their retirement multiplier after 20 years of service. The responses showed a marked increase in the propensity of members to separate if the multiplier were reduced by this amount. In fact, the percentage of people saying they would separate increased about four times under this scenario.

Precise force structure impacts are difficult to quantify without making numerous assumptions which then drive the result, since changes to the retirement system of this magnitude have never been made before. In addition, any effects must be viewed in the entire context of military compensation; that is, with back-to-back pay caps (with the probability of a freeze in fiscal year 1984) and continuing uncertainty about the future of the retirement system, our people are wondering "What next?" With economic recovery and improved employment opportunities in the civilian sector, we must be certain that the long-range impacts of any changes to the retirement system are carefully assessed. We must avoid changes that will cause significant losses of experienced, high-quality, trained personnel and result in a force structure that we cannot live with—that will impair our readiness and our ability to meet our national defense commitments.

MILITARY RETIREMENT

Senator Exon. Were any of you given the opportunity to comment on this proposal, including giving some analysis of the effects of this proposal on career retention, before the decision was made to include it in the President's fiscal year 1984 budget?

ARMY

General Thurman. We were not given the opportunity to comment on the assumptions built into the President's budget but were later asked to comment on the legislative proposal. We are strongly opposed to piecemeal changes to the military retirement system and fully support the study effort being conducted by the Fifth Quadrennial Review of Military Compensation.

NAVY

Admiral Zech. Senator Exon, the Navy was not given such an opportunity.

USMC

General Cooper. No, we were not given the opportunity to comment.

AIR FORCE

General Iosue. The Air Force was not consulted nor asked to provide analysis as to the effects of making permanent the 50 percent COLA cap prior to its inclusion in the fiscal year 1984 budget.

MILITARY PAY RAISE

Senator **Exon**. Dr. Korb, if the Congress were to enact a military pay raise this year, in your opinion should it be targeted or across-the-board?

Dr. **Korb**. It would depend on the size of the raise. If the raise is 4 percent, for example, it would be very difficult to target it so as to have a meaningful impact on the pay of any particular pay grade. Therefore, for a raise this small, we would probably advocate little, if any, targeting.

Senator **Exon**. Gentleman, if the Congress were to enact a military pay raise this year, in your opinion should it be targeted or across-the-board? If targeted, why, and how would you target it?

ARMY

General **Thurman**. A military pay adjustment this year should be targeted. A targeting concept allows us to capitalize on the effect of a pay adjustment by sending a clear message to the career force, those we know from experience are most sensitive to pay changes. We are particularly concerned about mid-grade noncommissioned officers, considering the capped pay adjustment of 4 percent in fiscal year 1983 which resulted in loss of comparability to private sector wage growth. We would also slightly raise the increase for senior warrant officers to minimize residual pay compression. Our specific proposal provides a 0 percent increase for E–1 and E–2 and 4 percent for all others except 4.5 percent for E–4, 5.5 percent for E–5 and E–6, 4.5 percent for E–7, and 5 percent for W–3 and W–4.

NAVY

Admiral **Zech**. If Congress enacts a pay raise this year it should be targeted toward our petty officers and mid-grade officers. We are currently experiencing a manning shortage in both of those groups and I believe that we should take every action to encourage these valuable assets to remain in the Navy. Our careerists are taking a "wait and see" posture with respect to the commitment of the Congress to maintain comparability in the long term. While a pay raise this year would likely be another cap below comparability, targeting it to our careerists would provide a strong positive signal that Congress intends to stay as close to comparability in the near term as possible.

Additionally, targeting to our petty officers would provide new incentive to advance for our most junior enlisted.

USMC

General **Cooper**. The Marine Corps supports the President's decision to forgo a pay adjustment this year, and it could not absorb a congressionally enacted pay raise within the present funding request without significant reductions to programs that affect readiness and needed modernization. With these points in mind, the Marine Corps believes that despite its traditional support for across-the-board pay raises, there may be merit in a targeted raise this year, should Congress choose to authorize one. The reason for this shift in emphasis is that the Marine Corps recognizes that funds for any pay raise will be limited. In this case we believe it would be more effective to target scarce dollars toward the career force, officer (0–2 and above) and enlisted (E–3 and above). This would help retain trained, experienced Marines while providing an incentive for our younger Marines to get promoted. Shortages that result in lower pay grades because of the further loss of pay comparability would be easier to fix than losses in the career force.

AIR FORCE

General **Iosue**. We believe military pay raises should be applied across-the-board. However, as an exception to policy, I could support targeting if the Congress chooses to pass a fiscal year 1984 military pay raise.

By targeting I mean that in the interest of economy, we could support withholding a pay raise for E–1s and E–2s. For example, if the Congress decides on a 4 percent pay raise on Oct. 1, 1983, we could go along with no pay increase for E–1s, E–2s and possibly O–1s and an across-the-board 4 percent increase for all others. We would not support paying a higher than 4 percent pay raise to one pay grade at the expense of another.

To be able to recruit and retain a quality military force, experience has shown that we need to provide our people levels of pay which are reasonably comparable to those available in the private sector. As the economy improves, this will become even more evident since our force is building at the same time the pool of 18 year olds is decreasing.

GI BILL

Senator **Exon**. Dr. Korb, does the administration continue to oppose enactment of a new GI bill? Why?

Dr. **Korb**. The administration does not favor a new GI bill at this time. Recruiting and retention remain very good, and our current package of educational incentives appears to be working relatively efficiently. We do not believe that a new GI bill represents the best use of our resources right now.

Senator **Exon**. Do you personally favor enactment of a GI bill? If so, what form should such a bill take, and what should be the costs?

ARMY

General **Thurman**. The Army supports the Department of Defense position on educational benefits. I personally favor enacting a GI bill.

Over the last three decades, the GI bill, the Veterans' Educational Assistance Program and its enhanced successor, the Army College Fund, have proven to be excellent initiatives to attract qualified recruits to the Army. Beyond being incentives, they have benefitted the individuals by aiding them towards college or technical educations, and they have benefitted society as a whole by giving more young men and women the opportunity to continue education. The GI bill and the Army College Fund are, then, two things at once. They are incentives and they are rewards for diligent service to the nation.

The Army College Fund has been an excellent program for attracting recruits. Even it has shortcomings. It does require an out-of-pocket expense for the soldier. The contribution the soldier makes is an interest-free loan to the government during the period that the soldier is participating. To use the benefit, most soldiers must leave the service. My own opinion is that a more effective educational benefits program could be developed. Four features should be built into this program.

First, the soldier should not be required to contribute from his or her salary.

Second, the "kicker" available at present for enlistment in the Army should be a part of any new educational benefit, to be applied at the discretion of the Secretary of Defense. This has aided Army recruitment without hurting the other services. Without it, the Army could not successfully compete in the marketplace.

Third, a feature should be added to reduce the incentive to leave the service to use earned benefits at a convenient time in the soldier's life. If the opportunity exists to transfer benefits to a spouse or children, a reason for separating goes away. Surveys of soldiers approaching key mid career decision points indicate a ten percent increase in the number of people who would reenlist for the same MOS if transferability were added to an available GI bill.

Finally, a benefits program should include the Reserve Components. What the USAR and the ARNG have today is serving them well, but it can be improved by integration with the Active Army program.

Costs vary considerably according to the benefits contained in the different bills. The Military Manpower Task Force reported servicewide steady state costs from $600 million to $1.5 billion, with supplementary benefits adding an additional $100 and $300 million. Congressional Budget Office estimates for S. 8, the Cranston proposal, lacking transferability and provisions for the Reserve Components, are $1 billion per year steady state. A bill encompassing the features that I have described would cost in the range of $600 to $700 million per year servicewide.

Whatever name that we give to educational benefits, whether it is "GI bill", "VEAP", "The Army College Fund" or another, they are important features of the total package of reimbursement for the men and women who serve in the Army. They have proven successful as incentives. They have given individuals an opportunity for higher education that might otherwise have been missed. Finally, society as a whole has benefitted by receiving individuals who have learned in the Army the discipline needed to succeed and then the skills in college to put that discipline to best use.

NAVY

Admiral **Zech**. In my personal opinion, I remain convinced that a new GI bill based upon the concept of the GI bill enacted almost forty years ago is a good investment in the future of both our country and the military services. However, because of the present recruiting and retention environment, I cannot justify the cost of a GI bill. Should present recruiting and retention circumstances change, a GI bill would be, in my opinion, something the Congress should seriously consider enacting. As far as the features of a new GI bill are concerned, I believe a GI bill should be an entitlement for honorable military service. Educational benefits should be universal—the same for all services, officers and enlisted. In addition to basic educational benefits, it is absolutely essential that any new bill includes by design, specific features to encourage members to remain on active duty. Such features would include tiered benefits with maximum levels reached after the 8 year point, and transferability after 12 years of service. If overall funding is a problem, a contributory transferability feature should be considered.

Preliminary Navy cost estimates for a preferred GI bill based upon the above design follow.

Basic assumptions are:

Program begins in fiscal year 1984.

Member with old GI bill would not be eligible for new bill but would have 10 years past discharge date to use old GI bill benefits; (total Navy cost estimate $126M).

Member participating in VEAP could choose new program (and draw our VEAP contributions already made).

Member could claim first-tier benefits of up to $200 per month for 36 months after 3 years of service under the program.

Second-tier benefits of an additional $300 per month (for 36 months) would become available after 8 years in the program.

Member could transfer a maximum of $15,000 of educational benefits to dependents, if a maximum of $5,000 were contributed to an educational fund (Government would match $2 for each $1 contributed). Member would have to have served a minimum of 10 years under the program and contributed into a transfer fund for 2 years before benefits could be provided to spouse and/or dependents. The member would be required to remain in service while transferring benefits. After 20 years of service, member could transfer benefits to dependents without remaining on active duty.

[In millions of dollars]

Fiscal year	1st, 2d tier	2d tier only	Transfer	Total
1987	31.1			31.1
1988	41.6			41.6
1989	52.4			52.4
1990	52.9			52.9
1991	54.3			54.3
1992	88.7	45.6		88.7
1993	125.1	91.1		125.1
1994	136.7	102.8		136.7
1995	136.7	102.8		136.7
1996	136.7	102.8		136.7
1997	136.7	102.8	36.6	173.3
1998	136.7	102.8	73.2	209.9
1999	136.7	102.8	109.8	246.5

The above costs were generated using the Annualized Cost of Leaving (ACOL) Model. This model projects enlisted force levels and the number leaving the service at each length of service (LOS) cell and each year in the future. From these projections we estimated the number of personnel eligible for each aspect of the proposed GI bill program. To estimate the cost of the program, we made assumptions concerning participation rates, benefit use rates, transfer rates, marital and dependent status, etc. They are as follow:

Economic: Pay freeze temporary; civilian unemployment would decline. Participation: 65 percent of those leaving service would use some benefits; of those participating average number would use 38 percent of total benefits (13 of 36 months); assuming 80 percent career force married, 65 percent would transfer benefits; present active duty member with GI bill benefit would remain under the old bill, VEAP personnel eligible after 3 years; Reserve benefits not included in cost estimate.

Costs (based on Navy only participation): For a program enacted in fiscal year 1984, estimated costs would be 31.1M in fiscal year 1987, increasing to a steady state cost of 246.5M by aproximately fiscal year 1999.

Navy's number one concern in educational benefits continues to be repeal of the Vietnam-Era GI bill 1989 Termination Date. This affects approximately 120,000 personnel who are in the critical retention period from 6 to 14 years service. The cost of the Vietnam Era GI bill from 1 January 1990 to 10 years from the date of last discharge/release from active duty (approximately the year 2016), would be $126.OM.

USMC

General COOPER. The Marine Corps has supported the creation of a new GI bill for the past several years. I still believe such legislation is desirable, however, I also recognize that the current emphasis on revitalizing the economy and reducing the Federal deficit portends a funding level below that needed to support all worthy programs. In this climate I believe that other programs are more essential. Should conditions change, I would support legislation to provide a new GI bill. I believe that a new GI bill should be an entitlement, available equally to all military members who have served honorably. It should be noncontributory and funded and administered by the Veterans Administration. Other key provisions that should be included are a tiering feature that would encourage members to remain in the service beyond their initial obligation and a feature that would allow service men and women to transfer their eligibility to a family member.

AIR FORCE

General IOSUE. I believe educational incentives help military recruiting and retention and, perhaps more importantly, return substantial long-term social dividends. A new GI bill preferably would be an across-the-board program with a noncontributory basic benefit to encourage entry into the military and a supplemental benefit to encourage extended service. Other features such as inservice use of benefits, transferability, educational leaves of absence, and a Selected Reserve package could also be beneficial.

Nevertheless, current accession and retention rates militate against a new GI bill at this time. Moreover, I believe it is too early to say what the right combination of program features might be to sustain our manpower requirements through the middle and late portions of this decade. With the current uncertainties about the extent of an economic recovery throughout the remainder of the decade and the possible impact of a declining service eligible population, it is not clear how large a recruiting and retention incentive will be necessary. Because of this, we have not built an optimum educational incentives program. As a result, we do not have program cost estimates at this time.

In a related matter, the Air Force strongly supports extension of the benefits of the Vietnam-era GI bill beyond the current Dec. 31, 1989 termination date. Our estimate is that for the last three quarters of fiscal year 1990, the cost of the extension for Air Force members will be approximately $19M.

RECRUIT QUALITY

Senator EXON. Dr. Korb, as you know, the fiscal year 1983 Defense Authorization Act included provisions limiting to 20 percent the number of recruits in mental category IV that each service could accept, and set a floor of 65 percent on the number of high school graduates the services could accept. Do you favor continuing these restrictions? If not, why not?

Dr. KORB. While DOD remains committed to recruiting individuals who offer real prospects for successful military service, the congressionally-mandated restrictions may cause manpower shortfalls in the future. Consequently, we are opposed to the legislative constraints which limit management flexibility and may force the services (especially the Army) to deny enlistment to young men and women capable of satisfactory performance in the Armed Forces.

Senator EXON. General Thurman, what is your position on the recruit quality restrictions?

General THURMAN. The Army believes it can meet its strength requirements in fiscal year 1983 and beyond and satisfy the congressional constraints. In making this assessment, the Army is assuming continued support of Congress to provide requested recruiting resources, adequate adjustment of military pay, and an educational incentive program such as the Army College Fund. The Army remains totally committed to enlisting high school graduates and higher scoring personnel and fully supports the intent of Congress to insure that we have the necessary quality of military manpower.

ERRONEOUS RESERVE APPOINTMENTS

Senator **Exon**. Dr. Korb, last year the Army erroneously granted commissions above the grade of second lieutenant to 356 Army Reserve officers. Following that action, the Army Reserve presented these individuals with the options of being appointed in an appropriate grade for which they qualify; returning to their previous status; or being separated from the Army.

Subsequent information which came to my attention indicated that, of the original 356 individuals involved, 186 were allowed to remain in the higher rank through administrative means. The remaining 170 individuals break down into the following categories: 135 accepted commissions as 2nd Lieutenants; 9 accepted commissions as warrant officers; 2 re-enlisted at their original rank; 5 separated from the Army Reserve; 19 still undecided; 170 total.

The Army has forwarded to your office remedial legislation which would, in effect, "grandfather" these 170 individuals into the higher rank in which they originally accepted their commissions because the fault was the Army's rather than that of the individuals involved.

What is your position, and that of the Defense Department, on this remedial legislation? What is the status of this legislation? Are any other Selected Reserve personnel involved in this situation? Are the above numbers correct?

Dr. **Korb**. The Department supports the passage of the remedial legislation and has sent it to the Office of Management and Budget for clearance to forward the legislation to Congress. The problem of erroneous appointments is limited to the Army, and the Army feels that everyone has been identified. Your numbers were correct at one time but have changed as the people involved decided which option to take. The current numbers are: 146 accepted commissions as 2nd lieutenants; 10 accepted warrants; 3 reenlisted at their original rank; 9 separated from the Army Reserve; 3 still undecided; 171 total.

Questions Submitted by Senator Sam Nunn

MANAGEMENT HEADQUARTERS

Senator **Nunn**. Dr. Korb, provide the number of military and civilian personnel on the OSD and JCS staffs from fiscal year 1978 to fiscal year 1984 by each year. Indicate any years in this period in which reorganizations took place which had the effect of increasing or decreasing these respective staffs, and show the number of military and civilian personnel transferred into or out of these staffs as a result of these reorganizations. For fiscal year 1984, provide the planned number.

Dr. **Korb**. (See attached.)

MILITARY AND CIVILIAN PERSONNEL, OFFICE OF THE SECRETARY OF DEFENSE

	Personnel	
	Military	Civilian
Fiscal year:		
1978	393	1,150
1979	401	[1] 1,188
1980	432	[2] 1,223
1981	461	[3] 1,278
1982	475	[4] 1,221
1983	454	1,242
1984	454	1,242

[1] The Office of Economic Adjustment was established as a separate activity reducing OSD by 16; the Industrial Security Clearance Review Hearing Examiners were transferred to OSD from the Defense Logistics Agency (plus 11); and Audiovisual Management was transferred to OSD from the American Forces Information Service (plus six). The ending of President Carter's hiring freeze in February 1979, which permitted existing vacancies to be filled, also contributed to the increase.

[2] The Office of Small and Disadvantaged Business Utilization Policy was established; a Special Projects Office was established in the OASD (Comptroller). Also included are approximately 50 consultants who were erroneously counted in the year end strength.

[3] The ATSD (Review and Oversight) and the Civilian/Military Contingency Hospital System Office were established. Also included are approximately 50 consultants who were erroneously counted in the year end strength.

[4] The Defense Legal Services Agency was established, reducing OSD by 55. The Comptroller was augmented to support DSARC and the DRB. Year-end employment included a number of temporary personnel brought on board to deal with technology transfer problems who will be made permanent.

MILITARY AND CIVILIAN PERSONNEL, ORGANIZATION OF THE JOINT CHIEFS OF STAFF

	Personnel	
	Military	Civilian
Fiscal year:		
1978	976	263
1979	966	261
1980 [1]	1,017	274
1981	1,039	231
1982	1,077	280
1983	1,095	295
1984	1,101	295

[1] Secretary of Defense approved 49 (40 mil/9 civ) additional spaces in fiscal year 1980 to help establish the Directorate for Command, Control and Communications Systems (C3S), with a concurrent transfer of some ADP functions and 13 (10 mil/3 civ) spaces from OJCS to DCA. Net OJCS gain was 36 (30 mil/6 civ) spaces.

MANAGEMENT HEADQUARTERS

Senator NUNN. Provide the number of military and civilian personnel by Service (and include Defense Agencies) assigned to management headquarters of international military organizations, unified commands, service support-combat commands, and service support commands. For each service (and including Defense Agencies) provide a list of all of the headquarters included in each category. This should be provided for each year from fiscal year 1978 to the present with planned numbers in fiscal year 1984.

Dr. KORB. (See attached.)

(C)

Military and Civilian Personnel, Defense Agency Headquarters*

	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
Defense Advanced Research Projects Agency	23	102	26	94	26	105	29	123	36	109	32	126	35	129
Defense Audiovisual Agency	-	-	-	-	7	16	17	55	17	51	11	68	11	68
Defense Civil Preparedness Agency	3	211	-	-**	-	-	-	-	-	-	-	-	-	-
Defense Communications Agency	150	378	143	366	142	380	132	373	44	237	50	238	50	238
Defense Contract Audit Agency	0	106	0	109	0	103	0	108	0	114	0	114	0	114
Defense Intelligence Agency		(c)***		(c)		(c)		(c)		(c)		(c)		(c)
Defense Investigative Service	15	90	11	89	7	101	6	142	5	171	0	190	0	193
Defense Legal Services Agency	-	-	-	-	-	-	-	-	2	53	0	56	0	56
Defense Mapping Agency	34	143	31	146	33	152	37	171	39	172	33	148	33	148
Defense Nuclear Agency	123	195	132	178	134	194	134	187	135	207	151	219	150	248
Defense Security Assistance Agency	20	92	22	83	19	89	23	89	25	82	24	83	24	83
Defense Logistics Agency	113	860	113	816	113	810	113	804	113	804	106	779	106	779
National Security Agency/ Central Security Service		(c)		(c)		(c)		(c)		(c)		(c)		(c)

* Military personnel, by Service are reported as part of the separate Service exhibits included with this report.

** Functions and resources transferred to the Federal Emergency Management Agency.

*** Classified data

MILITARY AND CIVILIAN PERSONNEL, SERVICE HEADQUARTERS STAFF—ARMY

	FY 78 *		FY 79 *		FY 80 *		FY 81 *		FY 82 *		FY 83 **		FY 84 **	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
Secretariat	113	220	112	222	117	242	138	234	129	295	113	249	113	249
Service Staff	1474	1856	1485	1821	1564	1755	1622	1800	1623	1850	1465	1947	1465	1945

Reasons for changes between fiscal years:

FY 78–FY 79
- Secretariat (-1/+2) not a reorganization
- Army Staff (+11/-35) not a reorganization
  - Rate of fill of civilian authorized positions decreased due to Presidential Hiring Freeze.

FY 79–FY 80
- Secretariat (+5/+20)
  - Increase due to organizational realignments (+1 MIL/+4 CIV) and program growth within the manpower and reserve affairs functional area. Balance of change due to decrease in hire lag.
- Army Staff (+79/-66) not a reorganization
  - Rate of fill of civilian authorized positions continued to decrease due to hiring freeze.
  - Offset by increase in military personnel.

FY 80–FY 81
- Secretariat (+21/-8) not a reorganization
- Army Staff (+58/+45) not a reorganization
  - Increase in actual number of assigned civilians due to filling of authorized vacancies created by previous Presidential Hiring Freeze.
  - Increases in military strength based on needs shown in manpower surveys.

FY 81–FY 82
- Secretariat (-9/+61)
  - Increase due to transfer of Congressional correspondence function to Headquarters Account from Field Account (+12 MIL/+43 CIV). Balance of change reflects adjustments in program emphasis.
- Army staff (+1/+50) not a reorganization
  - Increase in actual number of assigned civilians due to filling of authorized vacancies created by previous Presidential Hiring Freeze.
  - Management implemented freeze on any increase in staff size.

* Actuals
** Programmed

FY 82-FY 83
- Secretariat (-16/-46) not a reorganization
  - Drawdown to assigned ceiling
- Army staff (-158/+97) not a reorganization
  - Military to civilian conversions to implement Defense Officer Personnel Management Act (DOPMA) ceilings.
  - Drawdown of military strength to assigned ceilings.

FY 83-FY 84
- Secretariat (no change)
- Army staff (-/-2) not a reorganization

E

Military and Civilian Personnel, Service Headquarters Staff

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
ecretariat	294	685	274	515	282	525	304	610	283	568	276	560	276	560
NAVY	248	685	231	515	241	525	272	610	248	568	234	560	234	560
MARINE CORPS	46	-	44	-	41	-	32	-	35	-	42	-	42	-
hief of Naval Operations	1,062	597	1,042	609	1,178	551	1,240	606	1,322	694	1,270	705	1,337	705
NAVY	1,034	597	1,015	609	1,148	551	1,213	606	1,295	694	1,237	705	1,304	705
MARINE CORPS	28	-	27	-	30	-	27	-	27	-	33	-	33	-
arine Corps Headquarters	395	130	409	126	379	129	413	123	424	133	428	133	430	133
NAVY	17	-	21	-	14	-	20	-	24	-	28	-	29	-
MARINE CORPS	378	130	388	126	365	129	393	123	400	133	400	133	401	133

eorganization Explanations

(a) Secretariat and Staff Offices

1978-79: A functional transfer of the Office of Civilian Personnel to Navy Military Personnel Command accounts for half the military reduction and all of the civilian reduction. The transfer of messmen to the CNO accounts for the remaining military reduction.

1980-81: The consolidation of various civilian personnel offices within the Washington, D.C. metropolitan area transferred in approximately 40 civilians in FY 1981. The transfer of some Navy Accounting and Finance personnel to the Office of the Comptroller of the Navy added approximately 40 more civilians in FY 1981.

1981-82: A functional transfer from Judge Advocate General Headquarters to field occurred in FY 1982, to establish the Naval Civil Law Support Activity, resulting in -27 military end-strength, and -22 civilian end-strength.

(b) Chief of Naval Operations

1979-80: Various functional transfers to and from Navy Military Personnel Command (NMPC/OP-01 reorganization), combined with the civilian hiring freeze of 1980 accounts for the civilian decrease of 58.

1980-81: The above mentioned NMPC/OP-01 reorganization resulted in a military increase of 65.

1981-82: A functional transfer to OPNAV Support Activity (general administrative functions) accounted for -27 civilian end-strength, while transfers from Naval Civilian Personnel Command and Navy Military Personnel Command (manpower and training functions) account for +100 civilian end-strength.

MILITARY AND CIVILIAN PERSONNEL, SERVICE HEADQUARTERS STAFF—AIR FORCE

	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
Secretariat	145	180	138	161	139	181	136	184	142	178	142	178	142	178
Service Staff	1787	1364	1664	1231	1674	1256	1679	1251	1684	1246	1685	1245	1685	1245

Reasons for changes between fiscal years:

FY 78-FY 79
- Secretariat (-7 Mil/-19 Civ)
  -- Realignment of Legislative Inquiries Division and selected correspondence control functions to 1947 Admin Supt Gp
  -- Realignment and relocation of Internal Information Division from the Office of Information to the Air Force Service Information and News Center at Kelly AFB, TX
  -- Elimination of Assistant to the Secretary for International Affairs and absorb function within remaining staff
- Service Staff (-123 Mil/-133 Civ)
  -- Realignment of professional services and health care support Medical Service Corps functions from AF/SG to newly established Air Force Medical Services Center
  -- Realignment of selected judiciary and military justice functions from AF/JA to newly established Air Force Legal Services Center
  -- Realignment of selected engineering, environmental, and services functions from AF/PRE to newly established Air Force Engineering and Services Center
  -- Relocation of selected security police functions from AF/IG to newly established Office of Security Police
  -- Transfer of selected non-policy Personnel functions to Air Force Manpower and Personnel Center

FY 79-FY 80
- Secretariat (+1 Mil/+20 Civ)
- Service Staff (+10 Mil/+25 Civ)
  -- Adjustments to previous FY 78/FY 79 reorganization

FY 80-FY 81
- Secretariat (-3 Mil/+3 Civ)
- Service Staff (+5 Mil/-5 Civ)

FY 81-FY 82
- Secretariat (+6 Mil/-6 Civ)
- Service Staff (+5 Mil/-5 Civ)

FY 82-FY 83
- Secretariat (no change)
- Service Staff (+1 Mil/-1 Civ)
  -- FY 80-FY 83 adjustments attributed to military/civilian conversions to satisfy management decisions

FY 83-FY 84
- Secretariat (no change)
- Service Staff (no change)

HEADQUARTERS MANPOWER

Senator **Nunn**. Provide the number of military and civilian personnel on each Service headquarters staff from fiscal year 1978–fiscal year 1984 by each year. Also indicate the number of military and civilian personnel in each of the Service Secretariats. Indicate any years in this period in which reorganizations took place which had the effect of increasing or decreasing these respective staffs, and show the number of military and civilian personnel transferred into or out of these staffs as a result of these reorganizations. For fiscal year 1984, provide the planned number.

Dr. **Korb**. (See attached.)

Military and Civilian Personnel, Headquarters Other Than Service Headquarters—Army

Headquarters	FY 78 *		FY 79 *		FY 80 *		FY 81 *		FY 82 *		FY 83 **		FY 84 **	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
1. INTERNATIONAL MIL HEADQUARTERS														
Central Treaty Org 1 /	10	-	8	-										
N. Amer Air Def Cmd 2 /	106	-	107	-	105	-	105	-	103	-	103	-	103	-
N. Altantic Treaty Org														
NATO Mil Committee	52	32	53	15	43	-	43	74	50	61	50	75	50	75
Allied Cmd, Atlantic	14	-	19	-	19	-	19	-	19	-	19	-	19	-
Allied Cmd, Europe	1289	46	1388	53	2016	48	1348	47	1363	49	1362	55	1362	55
UN Cmd, Korea/US Combined Forces Cmd, Korea 2 /	183	87	115	86	114	88	214	99	227	97	227	102	229	102
2. UNIFIED COMMANDS														
US Atlantic Cmd	39	-	44	-	39	-	43	-	47	-	48	-	48	-
US European Cmd	148	123	153	120	151	126	161	107	211	107	162	115	162	115
US Pacific Cmd	194	-	174	-	227	-	203	-	207	-	203	-	205	-
US Readiness Cmd	151	-	134	-	133	-	156	-	188	-	157	-	157	-
US Southern Cmd	48	19	40	28	44	22	44	29	59	27	79	27	78	27
3. FUNCTIONAL/FUNCTIONAL SUPPORT ACTIVITIES														
HQ Mil Traffic Management (MTMC) Cmd	71	730	62	714	71	693	70	715	65	767	67	719	67	719
MTMC Eastern Area 3 /	20	89	20	94	21	94	-	-	-	-				
MTMC Western Area 3 /	36	138	36	169	36	133	-	-	-	-				
HQ Materiel Dev and Readiness Cmd (DARCOM)	240	1769	223	1835	233	1874	239	1862	271	2160	267	2202	267	2199
HQ Armament Materiel Readiness Cmd (ARRCOM)	37	475	35	469	31	550	29	558	27	432	33	457	33	457

*Actuals
**Programmed

	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
HQ Armament R&D Cmd (ARRADCOM)	37	326	33	326	16	479	21	301	23	368	23	306	23	306
HQ Aviation R&D Cmd (AVRADCOM)	6	74	7	76	7	86	7	85	7	87	7	86	7	86
HQ Electronics R&D Cmd (ERADCOM)	13	99	12	135	11	105	14	129	17	118	16	132	16	132
HQ Commo & Electronics Mat Readiness Cmd (CERCOM)	28	186	29	223	35	219	37	233	25	274	30	158	30	159
HQ Commo R&D Cmd (CORADCOM)	23	125	13	134	20	129	19	118	17	49	19	108	19	108
HQ Missile Cmd (MICOM) 4 /					31	260	33	413	27	332	31	329	31	327
HQ Tank-Automotive Cmd (TACOM) 5 /							30	432	36	404	37	372	37	372
HQ Troop Support and Avn Mat Readiness Cmd (TSARCOM)	36	312	37	303	33	293	38	306	34	296	36	356	36	359
HQ Depot Systems Cmd (DESCOM) 6 /									17	96	17	110	17	110
HQ Missile Research R&D Cmd (MIRADCOM) 4 /	11	191	2	176										
HQ Missile Materiel Readiness Cmd (MIRCOM) 4 /	20	261	20	257										
HQ Tank-Automotive R&D Cmd (TARADCOM) 5 /	16	171	14	181	10	162								
HQ Tank-Automotive Materiel Readiness Cmd (TARCOM) 5 /	18	256	19	257	18	255								
HQ Forces Cmd (FORSCOM)	648	1042	706	1034	626	1039	747	1043	812	1148	725	1104	705	1114
HQ First Army	262	308	253	297	232	286	263	284	265	283	255	305	246	315
HQ Fifth Army	218	267	220	259	217	261	225	266	230	276	214	277	202	287
HQ Sixth Army	207	225	200	226	356	222	214	227	200	226	206	233	194	243
HQ Training & Doctrine Cmd (TRADOC)	665	905	618	820	590	819	618	784	607	834	621	905	620	906
HQ Army Recruiting Cmd (USAREC) 6 /									379	255	328	256	328	256
HQ Army Communications Cmd (ACC)	113	594	119	575	121	632	118	622	128	629	118	654	115	657
HQ 5th Sig Cmd, EUR 7 /	233	90	222	92	225	139	236	136	232	147	233	157	233	157
HQ 7th Sig Cmd 6 /									111	197	117	215	117	215
ACC, WESTCOM 8 /	3	12	4	13	4	12	6	17	-	8	7	18	6	19

	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
HQ Intelligence & Security Cmd (INSCOM)	217	230	221	262	343	346	281	337	302	346	322	358	329	358
HQ Criminal Investigation Cmd (CIDC)	95	63	125	57	119	55	119	57	97	64	118	69	118	69
HQ Health Services Cmd (HSC)	217	316	212	312	217	305	221	305	227	325	216	333	216	333
HQ Military District of Washington (MDW)	76	100	75	98	83	105	92	95	92	105	91	109	90	110
HQ US Army Corps of Engineers (ACE) 9 /							-	271	49	372	19	281	19	281
4. COMBAT/COMBAT SUPPORT ACTIVITIES														
HQ Western Cmd (WESTCOM) 10 /					166	192	162	208	167	210	153	220	150	228
HQ USA Japan/IX Corps (USARJ/IX Corps)	149	140	149	151	137	217	136	226	147	227	158	232	158	232
HQ 8th US Army (8 AR)	449	290	433	287	422	279	435	291	489	314	421	313	422	313
HQ USA Europe/7th Army (USAREUR/7AR)	889	499	696	424	841	483	749	529	842	557	819	619	810	628
HQ Southern European Task Force (SETAF)	235	70	129	68	151	61	154	70	177	84	153	88	153	88

1 / Deactivated 31 Jul 79.
2 / Listed under Unified Commands PB-22 submission for FY 78 only.
3 / Deleted as management headquarters activities IAW revised DODD 5100.73.
4 / Merger of MIRADCOM and MIRCOM to MICOM.
5 / Merger of TARADCOM and TARCOM to TACOM.
6 / Designated Mgt HQs activities IAW revised DODD 5100.73 (Mar 81) FY 82.
7 / Redesignation of ACC-EUR in FY 81 to 5th Signal Command.
8 / Redesignation of ACC-PAC in FY 80 to ACC WESTCOM.
9 / Designated as management headquarters activities IAW revised DODD 5100.73 and redesignated COE in FY 80.
10 / Establishment of Western Command.

	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
5. DEFENSE AGENCIES														
Defense Advanced Research Projects Agency	4	0	6	0	1	0	4	0	15	0	5	0	6	0
Defense Civil Preparedness Agency	1	0	-	-	-	-	-	-	-	-	-	-	-	-
Defense Communications Agency	68	0	49	0	52	0	47	0	11	0	5	0	5	0
Defense Intelligence Agency		(c)*		(c)		(c)		(c)		(c)		(c)		(c)
Defense Investigative Service	0	0	6	0	4	0	2	0	1	0	0	0	0	0
Defense Mapping Agency	7	0	9	0	4	0	14	0	19	0	12	0	12	0
Defense Nuclear Agency	32	0	37	0	48	0	52	0	37	0	40	0	42	0
Defense Security Assistance Agency	20	0	16	0	12	0	14	0	25	0	24	0	24	0
Defense Logistics Agency	51	0	57	0	41	0	53	0	51	0	51	0	51	0
National Security Agency/ Central Security Service		(c)		(c)		(c)		(c)		(c)		(c)		(c)

*Classified data

11,

Military and Civilian Personnel, Headquarters Other Than Service Headquarters Staff

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
1. International Military Headquarters														
Central Treaty Organization (Navy)	4	-	2	-	-	-	-	-	-	-	-	-	-	-
North American Air Defense Command	37	-	32	1	33	-	35	-	32	-	40	-	52	-
NAVY	35	-	30	-	31	-	32	-	30	-	36	-	48	-
MARINE CORPS	2	-	2	-	2	-	3	-	2	-	4	-	4	-
North Atlantic Treaty Organization	25	-	25	-	26	-	57	-	124	-	147	-	173	-
NAVY	22	-	22	-	22	-	53	-	120	-	143	-	169	-
MARINE CORPS	3	-	3	-	4	-	4	-	4	-	4	-	4	-
Supreme Allied Commander, Atlantic	255	6	247	5	287	6	240	6	230	7	222	7	222	7
NAVY	252	6	245	5	283	6	236	6	227	7	219	7	219	7
MARINE CORPS	3	-	2	-	4	-	4	-	3	-	3	-	3	-
Eastern Atlantic Command (Navy)	7	-	7	-	8	-	11	-	12	-	17	-	18	-
Western Atlantic Command (Navy)	20	-	17	-	17	-	15	-	17	-	14	-	14	-
Iberian Atlantic Command (Navy)	44	-	45	1	38	1	31	1	31	1	30	1	30	1
Striking Fleet, Atlantic Command (Navy)	9	-	10	-	8	-	8	-	9	-	9	-	9	-
Supreme Headquarters, Allied Powers Europe	70	-	63	-	63	-	58	-	62	-	66	-	65	-
NAVY	66	-	60	-	61	-	55	-	58	-	63	-	62	-
MARINE CORPS	4	-	3	-	2	-	3	-	4	-	3	-	3	-

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CI
Allied Forces, Northern Europe	27	-	29	-	28	-	30	-	35	-	50	-	50	
NAVY	23	-	25	-	24	-	26	-	31	-	46	-	46	
MARINE CORPS	4	-	4	-	4	-	4	-	4	-	4	-	4	
Submarine Allied Command, Atlantic, (Navy)	1	-	1	-	1	-	-	-	-	-	-	-	-	
Allied Forces, Central Europe	8	-	8	-	7	-	9	-	8	-	8	-	8	
NAVY	7	-	7	-	6	-	8	-	7	-	7	-	7	
MARINE CORPS	1	-	1	-	1	-	1	-	1	-	1	-	1	
Allied Forces, Southern Europe	231	-	209	3	220	3	221	3	215	3	235	3	235	
NAVY	225	-	203	3	214	3	214	3	208	3	229	3	229	
MARINE CORPS	6	-	6	-	6	-	7	-	7	-	6	-	6	
Allied Air Forces, Southern Europe	4	-	5	-	3	-	4	-	4	-	5	-	5	
NAVY	3	-	4	-	2	-	3	-	3	-	4	-	4	
MARINE CORPS	1	-	1	-	1	-	1	-	1	-	1	-	1	
Allied Naval Forces, Southern Europe (Navy)	17	-	18	-	20	-	15	-	17	-	16	-	16	
Allied Land Forces, Southeastern Europe (Navy)	7	-	6	-	7	-	4	-	5	-	7	-	7	
Allied Striking and Support Forces, Southern Europe	50	-	50	-	47	-	45	-	49	-	49	-	49	
NAVY	44	-	44	-	42	-	39	-	42	-	43	-	43	
MARINE CORPS	6	-	6	-	5	-	6	-	7	-	6	-	6	
Allied Land Forces, Southern Europe (Navy)	-	-	-	-	-	-	3	-	7	-	8	-	8	

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CI
NATO Airborne Early Warning Command (Navy)	-	-	-	-	-	-	-	-	4	-	8	-	9	
United Nations Command, Korea (Marine Corps)	-	-	-	-	-	-	2	-	2	-	2	-	2	
U.S. Combined Forces Command, Korea	-	-	-	-	-	-	39	-	38	-	45	-	45	
NAVY	-	-	-	-	-	-	28	-	28	-	34	-	34	
MARINE CORPS	-	-	-	-	-	-	11	-	10	-	11	-	11	
2. Unified Commands														
U.S. Atlantic Command	217	50	210	51	212	50	231	46	239	49	247	51	263	5
NAVY	199	50	194	51	194	50	215	46	223	49	231	51	247	5
MARINE CORPS	18	-	16	-	18	-	16	-	16	-	16	-	16	
U.S. Forces, Azores (Navy)	8	5	7	5	7	5	7	6	7	6	8	6	8	
Iceland Defense Force (Navy)	36	9	34	10	34	9	35	9	31	9	37	9	37	
Antilles Defense Force (Navy)	4	-	3	-	2	-	3	-	1	-	-	-	-	
U.S. European Command	122	-	114	-	118	-	121	-	113	-	135	-	157	
NAVY	100	-	92	-	96	-	99	-	90	-	113	-	135	
MARINE CORPS	22	-	22	-	22	-	22	-	23	-	22	-	22	
U.S. Pacific Command	263	137	257	138	275	137	279	137	294	136	306	137	307	1
NAVY	232	137	226	138	250	137	251	137	264	136	274	137	275	1
MARINE CORPS	31	-	31	-	25	-	28	-	30	-	32	-	32	

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
U.S. Forces, Japan	17	35	22	36	21	40	25	42	27	46	22	47	22	47
NAVY	12	35	14	36	15	40	17	42	19	46	14	47	14	47
MARINE CORPS	5	-	8	-	6	-	8	-	8	-	8	-	8	-
U.S. Forces, Korea	98	14	90	14	87	12	70	13	72	13	75	16	79	16
NAVY	87	14	83	14	80	12	65	13	64	13	68	16	72	16
MARINE CORPS	11	-	7	-	7	-	5	-	8	-	7	-	7	-
Taiwan Defense Force	43	16	1	-	-	-	-	-	-	-	-	-	-	-
NAVY	38	16	1	-	-	-	-	-	-	-	-	-	-	-
MARINE CORPS	5	-	-	-	-	-	-	-	-	-	-	-	-	-
U.S. Military Assistance Command Thailand (Navy)	7	-	7	-	-	-	-	-	-	-	-	-	-	-
U.S. Southern Command	20	3	25	-	28	-	28	-	28	-	34	-	34	-
NAVY	15	3	18	-	21	-	21	-	19	-	27	-	27	-
MARINE CORPS	5	-	7	-	7	-	7	-	9	-	7	-	7	-
U.S. Readiness Command	15	-	15	-	32	-	38	-	34	-	34	-	34	-
NAVY	7	-	6	-	9	-	11	-	9	-	11	-	11	-
MARINE CORPS	8	-	9	-	23	-	27	-	25	-	23	-	23	-
3. Functional/Functional Support Commands														
Naval Civilian Personnel Command (Navy)	-	-	-	219	-	164	-	122	-	69	-	81	-	80
Naval Data Automation Command (Navy)	40	146	40	164	31	173	41	161	38	168	54	171	57	172
Aircraft Intermediate Maintenance Support Office (Navy)	-	-	-	-	9	-	18	17	20	20	25	22	25	26

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
Military Sealift Command	45	291	39	301	45	400	46	423	53	425	60	456	91	469
NAVY	44	291	38	301	44	400	45	423	52	425	59	456	90	469
MARINE CORPS	1	-	1	-	1	-	1	-	1	-	1	-	1	-
NAVMAT	147	469	123	523	122	542	138	714	128	474	146	486	146	487
NAVY	144	469	121	523	119	542	134	714	122	474	142	486	142	487
MARINE CORPS	3	-	2	-	3	-	4	-	6	-	4	-	4	-
Naval Air Logistics Center (Navy)	-	-	-	-	-	-	73	145	70	145	102	145	121	145
NAVAIRSYSCOM	84	589	71	532	72	472	77	464	72	508	71	492	72	502
NAVY	48	589	36	532	38	472	41	464	42	508	39	492	40	502
MARINE CORPS	36	-	35	-	34	-	36	-	30	-	32	-	32	-
NAVSEASYSCOM	32	895	39	850	38	857	67	855	63	845	51	858	51	862
NAVY	26	895	33	850	35	857	63	855	58	845	47	858	47	862
MARINE CORPS	6	-	6	-	3	-	4	-	5	-	4	-	4	-
NAVELEXSYSCOM	25	168	21	187	21	181	52	165	50	179	31	151	31	153
NAVY	16	168	12	187	13	181	41	165	41	179	17	151	17	153
MARINE CORPS	9	-	9	-	8	-	11	-	9	-	14	-	14	-
NAVSUPSYSCOM (Navy)	99	473	115	484	95	464	108	485	125	507	110	513	110	513
NAVFACENGCOM (Navy)	50	581	51	576	51	584	52	585	53	595	57	579	57	581
Office of Naval Research	24	419	22	393	27	371	24	394	28	391	39	398	40	398
NAVY	22	419	21	363	26	371	24	394	27	391	37	398	39	398
MARINE CORPS	2	-	1	-	1	-	-	-	1	-	2	-	1	-
Chief of Naval Reserve (Navy)	139	69	133	78	146	85	158	81	271	111	264	121	281	121

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
Chief of Naval Education and Training	111	205	117	222	127	278	120	296	113	307	128	318	128	327
NAVY	108	205	115	222	125	278	119	296	112	307	127	318	127	327
MARINE CORPS	3	-	2	-	2	-	1	-	1	-	1	-	1	-
Air Training Command	95	70	78	71	83	73	93	78	76	77	104	79	105	96
NAVY	90	70	73	71	79	73	88	78	71	77	99	79	100	96
MARINE CORPS	5	-	5	-	4	-	5	-	5	-	5	-	5	-
Technical Training Command	140	120	131	126	123	131	122	120	117	108	125	112	126	107
NAVY	134	120	125	126	117	131	120	120	115	108	123	112	124	107
MARINE CORPS	6	-	6	-	6	-	2	-	2	-	2	-	2	-
Training Support Command (Navy)	18	72	6	47	-	-	-	-	-	-	-	-	-	-
BUPERS/Navy Military Personnel Command (Navy)	211	155	158	145	152	82	178	91	-	-	-	-	-	-
Bureau of Medicine and Surgery (Navy)	167	201	159	225	165	215	175	235	178	222	190	242	196	245
Naval Medical Material Support Command (Navy)	-	-	-	-	-	-	19	23	21	20	21	26	21	26
Naval Health Sciences Education and Training Command (Navy)	61	61	65	58	61	57	69	55	65	44	61	44	61	44
Naval Medical Research and Development Command (Navy)	16	17	15	17	16	17	20	17	19	21	19	24	19	24
Naval Security Group (Navy)	211	123	212	130	222	124	229	117	219	117	260	131	268	135
Naval District Washington (Navy)	37	13	50	12	177	13	52	9	49	12	27	13	27	13

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
Naval Districts	69	31	58	25	-	-	-	-	-	-	-	-	-	-
NAVY	62	31	50	25	-	-	-	-	-	-	-	-	-	-
MARINE CORPS	7	-	8	-	-	-	-	-	-	-	-	-	-	-
Naval Telecommunications Command	88	167	84	170	79	181	72	189	74	187	113	195	121	195
NAVY	87	167	82	170	77	181	71	189	73	187	112	195	120	195
MARINE CORPS	1	-	2	-	2	-	1	-	1	-	1	-	1	-
Naval Oceanography Command (Navy)	25	33	18	32	21	31	21	47	20	48	28	48	27	48
I. Combat/Combat Support Activities														
Headquarters Pacific Fleet	393	45	448	56	467	58	526	73	548	79	618	89	618	89
NAVY	376	45	433	56	455	58	512	73	535	79	604	89	604	89
MARINE CORPS	17	-	15	-	12	-	14	-	13	-	14	-	14	-
Data Processing Service Center, Pacific (Navy)	-	-	-	-	-	-	-	29	-	32	-	31	-	31
Pacific Fleet Headquarters Support Activity (Navy)	87	13	3	-	-	-	-	-	-	-	-	-	-	-
Third Fleet	145	25	144	27	152	27	148	26	71	27	25	27	26	27
NAVY	144	25	143	27	151	27	147	26	70	27	24	27	25	27
MARINE CORPS	1	-	1	-	1	-	1	-	1	-	1	-	1	-
Submarine Force, Pacific (Navy)	244	29	247	32	229	34	220	36	229	40	257	40	257	49
Logistics Command, Pacific (Navy)	107	16	106	21	101	21	106	22	104	25	114	26	112	26

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
Air Force, Pacific	300	131	294	130	331	128	315	139	330	143	334	147	322	147
NAVY	290	131	283	130	321	128	304	139	318	143	321	147	309	147
MARINE CORPS	10	-	11	-	10	-	11	-	12	-	13	-	13	-
Surface Force, Pacific	329	62	346	59	360	56	358	64	375	68	366	69	367	71
NAVY	323	62	340	59	354	56	353	64	370	68	361	69	362	71
MARINE CORPS	6	-	6	-	6	-	5	-	5	-	5	-	5	-
Training Command, Pacific (Navy)	41	3	38	3	39	3	36	3	33	6	34	9	35	9
Fleet Marine Force, Pacific	589	19	557	18	540	18	576	17	575	18	544	18	546	18
NAVY	28	-	32	-	32	-	34	-	31	-	25	-	25	-
MARINE CORPS	561	19	525	18	508	18	542	17	544	18	519	18	521	18
Headquarters, U.S. Naval Forces, Europe	197	35	189	35	164	35	232	34	263	36	247	37	242	37
NAVY	188	35	183	35	158	35	226	34	255	36	241	37	236	37
MARINE CORPS	9	-	6	-	6	-	6	-	8	-	6	-	6	-
Fleet Marine Force, Europe (Marine Corps)	-	-	-	-	20	-	19	-	19	-	20	-	21	-
Fleet Operations Control Center, Europe, EASTLANT (Navy)	101	-	110	-	121	-	124	-	114	-	98	-	105	-
Headquarters, Atlantic Fleet	322	117	308	116	318	116	395	132	404	136	452	148	459	152
NAVY	315	117	302	116	313	116	388	132	397	136	446	148	453	152
MARINE CORPS	7	-	6	-	5	-	7	-	7	-	6	-	6	-
Atlantic Fleet Headquarters Support Activity (Navy)	84	22	81	25	78	26	-	-	-	-	-	-	-	-

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
tlantic Fleet Operation Support Facility (Navy)	177	37	191	37	189	33	202	35	204	30	196	32	195	3
ine Warfare Command (Navy)	66	22	71	20	75	22	71	20	79	21	85	23	80	2
ubmarine Force, Atlantic (Navy)	251	38	253	42	264	47	262	52	283	52	288	52	317	6
ir Force, Atlantic	251	87	253	87	278	83	295	112	324	114	307	114	322	11
NAVY	244	87	247	87	272	83	289	112	319	114	300	114	315	11
MARINE CORPS	7	-	6	-	6	-	6	-	5	-	7	-	7	
Surface Force, Atlantic	295	113	274	113	281	109	316	115	363	116	352	127	354	13
NAVY	288	113	267	113	273	109	308	115	356	116	345	127	347	13
MARINE CORPS	7	-	7	-	8	-	8	-	7	-	7	-	7	
raining Command, Atlantic (Navy)	42	6	43	6	41	5	45	6	39	6	46	6	49	
Fleet Marine Force, Atlantic	529	-	487	-	496	-	527	-	540	-	516	-	522	
NAVY	15	-	13	-	14	-	13	-	14	-	17	-	17	
MARINE CORPS	514	-	474	-	482	-	514	-	526	-	499	-	505	

5. Defense Agencies

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV
Defense Advanced Research Projects Agency (Navy)	5	-	7	-	8	-	7	-	5	-	8	-	8	
efense Civil Preparedness Agency (Navy)	1	-	-	-	-	-	-	-	-	-	-	-	-	
Defense Communications Agency (Navy)	23	-	34	-	28	-	26	-	19	-	26	-	26	

	FY 1978		FY 1979		FY 1980		FY 1981		FY 1982		FY 1983		FY 1984	
	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CIV	MIL	CI
Defense Nuclear Agency (Navy)	25	-	29	-	22	-	22	-	22	-	28	-	25	
Defense Mapping Agency (Navy)	13	-	10	-	13	-	7	-	7	-	8	-	9	
Defense Logistics Agency (Navy)	26	-	21	-	38	-	25	-	23	-	21	-	21	
Defense Investigative Service (Navy)	1	-	-	-	-	-	-	-	-	-	-	-	-	

Note: Classified material (Naval Intelligence Command, Defense Intelligence Agency, National Security Agency/Central Security Service) is nc shown, but is available upon request.

MILITARY AND CIVILIAN PERSONNEL, HEADQUARTERS OTHER THAN SERVICE HEADQUARTERS—AIR FORCE

Headquarters	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
1. INTERNATIONAL MILITARY HEADQUARTERS 1/														
Central Treaty Organization 2/	6	0												
North Atlantic Treaty Organization														
NATO Military Committee	40	0	53	0	53	0	55	0	50	0	42	0	41	0
Allied Command, Atlantic	13	0	19	0	10	0	19	0	19	0	19	0	19	0
Allied Command, Channel	0	0	1	0	1	0	1	0	1	0	1	0	1	0
Allied Command, Europe	808	1	791	1	731	0	727	2	709	2	697	2	697	2
United Nations Command, Korea/U.S. Combined Forces Command, Korea	134	0	179	0	172	0	178	0	71	0	71	0	71	0
2. UNIFIED COMMANDS 1/														
U.S. Atlantic Command	61	0	63	0	63	0	66	0	89	0	91	0	91	0
U.S. European Command	167	0	173	0	168	0	183	0	181	0	191	0	190	0
U.S. Pacific Command	232	0	218	0	226	0	226	0	352	0	352	0	355	0
U.S. Readiness Command	106	62	107	64	100	60	105	62	109	64	109	64	109	64
U.S. Southern Command	43	0	47	0	45	0	45	0	60	0	60	0	60	0
3. FUNCTIONAL/FUNCTIONAL SUPPORT ACTIVITIES														
HQ Air Force Logistics Command	421	1576	438	1502	367	1576	478	1572	478	1501	478	1501	478	1501
HQ Air Force Systems Command	730	633	761	579	760	655	761	655	752	653	750	654	750	654
HQ Aeronautical Systems Division 3/							59	112	59	113	54	109	53	110
HQ Electronics Systems Division 3/							55	70	61	70	60	74	60	74
HQ Space Division 3/							100	110	93	104	96	100	97	98
HQ Aerospace Medical Division 3/							36	29	36	29	36	31	36	31
HQ Armament Division 3/							54	48	54	51	57	55	57	56
HQ Air Force Reserve	182	188	182	193	177	183	177	183	175	176	175	176	175	176
HQ Air Training Command	839	496	876	508	875	513	875	513	852	501	859	494	859	494
HQ Air Force Communications Command 4/	860	517	931	402	928	463	1011	487	1041	490	1041	490	1041	490
HQ European Comm Area 3/	272	63	270	60	272	63								
HQ Northern Comm Area 3/	190	113	187	85	186	111								
HQ Pacific Comm Area 3/	168	60	163	55	164	56								
HQ Southern Comm Area 3/	136	99	134	77	135	99								
HQ Tactical Comm Area 3/	177	45	189	37	201	44								
HQ Strategic Comm Area 3/	156	33	185	38	185	41								
HQ Electronic Security Command	484	203	467	189	434	197	447	210	447	206	447	206	447	206

Headquarters	FY 78		FY 79		FY 80		FY 81		FY 82		FY 83		FY 84	
	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ	Mil	Civ
4. COMBAT/COMBAT SUPPORT ACTIVITIES														
HQ Pacific Air Forces	775	234	762	217	758	246	759	246	739	244	739	247	739	247
HQ 5 Air Force	196	29	200	25	130	27	135	27	136	27	136	27	136	27
HQ 13 Air Force	86	17	82	11	50	15	50	15	49	16	46	16	46	16
HQ Tactical Air Command 5/	1479	394	1490	378	1801	460	1788	452	1744	463	1741	463	1745	463
HQ 9 Air Force	246	33	248	32	225	32	214	31	215	30	215	30	214	30
HQ 12 Air Force	248	32	251	28	232	30	207	28	209	28	212	28	209	28
HQ U.S. Air Forces in Europe	1202	353	1233	332	1229	350	1229	350	1180	342	1178	339	1178	339
HQ 3 Air Force	36	7	36	9	38	7	38	7	44	10	49	10	49	10
HQ 16 Air Force	34	13	34	13	36	13	36	13	37	13	37	13	37	13
HQ 17 Air Force	37	13	37	11	50	12	50	12	53	12	53	12	53	12
HQ Alaskan Air Command	269	83	279	76	279	84	278	85	271	84	273	84	273	84
HQ Space Command									216	102	672	277	672	277
5. DEFENSE AGENCIES 1/														
Defense Advanced Research Projects Agency	14	0	13	0	17	0	18	0	16	0	19	0	21	0
Defense Audiovisual Agency 6/					11	0	17	0	7	0	9	0	9	0
Defense Civil Preparedness Agency 7/	1	0	1	0										
Defense Communications Agency	59	0	60	0	62	0	59	0	14	0	19	0	19	0
Defense Intelligence Agency	(c)*	0	(c)	0	(c)	0	(c)	0	(c)	0	(c)	0	(c)	0
Defense Investigative Service 8/	15	0	5	0	3	0	4	0	4	0				
Defense Mapping Agency	14	0	12	0	16	0	16	0	13	0	13	0	12	0
Defense Nuclear Agency	66	0	66	0	64	0	60	0	76	0	83	0	83	0
Defense Security Assistance Agency	0	0	6	0	7	0	9	0	0	0	0	0	0	0
Defense Logistics Agency	36	0	35	0	34	0	35	0	39	0	34	0	34	0
National Security Agency/Central Security Service	(c)	0	(c)	0	(c)	0	(c)	0	(c)	0	(c)	0	(c)	0

1/ Air Force manpower contribution to external management headquarters activities directed by JCS/OSD.
2/ Disbanded after Turkey and Great Britain agreed to dissolve the alliance following the withdrawal of Iran and Pakistan.
3/ Change in the accountability of management headquarters activites IAW revised DODD 5100.73, Department of Defense Management Headquarters and Headquarters Support, 12 March 1981.
4/ FY 81 realignments and consolidations which resulted in a net decrease to the overall Communications Command management headquarters manning.
5/ FY 80 management headquarters growth due to realignment of ADCOM funtions and manpower to HQ Tactical Air Command resulting in a net decrease to the overall management headquarters end strength.
6/ Established to centrally manage audiovisual functions for all DOD components.
7/ Transferred to Federal Emergency Management Agency.
8/ Civilianized--No Air Force personnel required.

*Classified data

MANAGEMENT HEADQUARTERS

Senator **Nunn**. Provide a list of each new headquarters or commands created by the Defense Department since 1978.

Dr. **Korb**. (See attached.)

New Defense Wide Headquarters or Commands Established Since 1978

Name	Year Established
Defense Audiovisual Agency	FY 1980
Defense Legal Services Agency	FY 1982
U.S. Central Command	FY 1983
Inspector General of the DoD	FY 1983

List of new Headquarters or Commands created since 1978

Name	**Year Established**
Headquarters, Third US Army 1 /	1982
Headquarters, US Army Western Command	1979
Headquarters, US Army Corps of Engineers	1979
Headquarters, Communications Research and Development Command (CORADCOM) 2 /	1978
Headquarters, Communications and Electronics Materiel Readiness Command (CERCOM) 2 /	1978
Headquarters, Communications and Electronics Command (CECOM) 3 /	1981
Headquarters, Army Armament-Munitions and Chemical Command (ARMCOM) 4 /	1983
Headquarters, Aviation Systems Command (AVSCOM) 5 /	1983
Headquarters, Troop Support Command (TROSCOM) 6 /	1983
Headquarters, Tank Automotive Command (TACOM) 7 /	1980
Headquarters, Missile Command (MICOM) 8 /	1979

1 / Operational headquarters in support of US Central Command and thus not included in data reported herein.
2 / Formed from Headquarters Electronics Command (ECOM).
3 / Formed from Headquarters commands reflected in Footnote 2.
4 / Formed from Headquarters Armament Research and Development Command (ARRADCOM) and Armament Readiness Command (ARRCOM).
5 / Formed from Aviation Research and Development Command (AVRADCOM) and Troop Support and Aviation Materiel Readiness Command (TSARCOM).
6 / Formed from Mobility Equipment Research and Development Command and Troop Support elements of the Troop Support and Aviation Materiel Readiness Command (TSARCOM).
7 / Formed from Tank-Automotive Materiel Readiness Command (TARCOM) and Tank-Automotive Research and Development Command (TARADCOM).
8 / Formed from Missile Research and Development Command (MIRADCOM) and Missile Readiness Command (MIRCOM).

New Navy Headquarters Activities Created Since 1978

NAME	YEAR ESTABLISHED
- Fleet Marine Force, Europe	FY 1979
- Aircraft Intermediate Maintenance Support Office	FY 1980
- Navy Air Logistics Center	FY 1981
- Naval Medical Material Support Command	FY 1981

List of new Headquarters or Commands created since 1978

Name	Year Established
HQ Space Command 1/	FY 82

List of planned Headquarters or Commands to be created

Name	Projected
HQ 23 Air Force 2/	FY 83

1/ Accomplished by the realignment of existing manpower authorizations; did not result in any increase to the USAF end strength ceiling. Established to further consolidate USAF operational space activities, provide a link between the space-related research and development process and operational users, and retain North American Aerospace Defense Command authority and responsiblities as currently organized.

2/ Accomplished by the realignment of existing manpower authorizations; did not result in any increase to the USAF end strength ceiling. HQ 23 Air Force was established on 1 March 1983 as a result of an Air Force management initiative to consolidate its special operations and combat rescue forces. This consolidation, under the Commander-in-Chief, Military Airlift Command, will increase efficiency and combat capability by centralizing the budgeting, training, manning, organizing, and equipping of these forces.

ENCLOSURE 2

NOTE

Enclosure 2 of DoD Directive 5100.73 is under revision to reflect the following changes effective with preparation of the FY 1985 budget:

Add:

Defense Legal Services Agency
Headquarters Support Activity, Defense Mapping Agency

HQ, U.S. Central Command

HQ, Inspector General of the Department of Defense

HQ, U.S. Air Force Space Command

HQ, 23 Air Force

HQ, Third U.S. Army

Delete:

USAREUR/7th Army Staff Support Element

Defense Audit Service

March 12, 1981
NUMBER 5100.73

Department of Defense Directive

ASD(C)

SUBJECT: Department of Defense Management Headquarters and Headquarters Support

References: (a) DoD Directive 5100.73, "Department of Defense Management Headquarters," April 11, 1975 (hereby canceled)
(b) DoD Directive 5000.19, "Policies for the Management and Control of Information Requirements," March 12, 1976
(c) DoD Directive 5000.11, "Data Elements and Data Codes Standardization Program," December 7, 1964

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) to revise the DoD system for identifying and managing the number and size of Management Headquarters and Headquarters Support activities.

B. APPLICABILITY

The provisions of this Directive apply to the Office of the Secretary of Defense (OSD) and its field activities, the Military Departments, the Organization of the Joint Chiefs of Staff, the Unified and Specified Commands, and the Defense Agencies (hereafter referred to as "DoD Components").

C. POLICY

DoD Management Headquarters and their support activities shall be organized and staffed in a manner that permits the effective accomplishment of assigned responsibilities with a minimum number of personnel. To provide a framework for implementing this policy, the Department of Defense shall maintain:

1. A DoD-wide definition of Management Headquarters and Headquarters Support functions.

2. An OSD-approved list of Management Headquarters and Headquarters Support activities.

3. A common method of accounting for Management Headquarters and Headquarters Support personnel authorizations.

D. DEFINITIONS

1. Management Headquarters and Headquarters Support Functions. Those functions, and the direct support integral to their performance,

that are involved in the management of the programs and operations of the Department of Defense, its major military units, organizations, or agencies.

a. Management. Refers to providing oversight, direction, and control through: (1) developing and issuing policies, and providing policy guidance, (2) reviewing and evaluating program performance, (3) allocating and distributing resources, (4) conducting mid and long-range planning, programing, and budgeting.

b. Direct support. Refers to professional, technical, administrative, or logistical support that is performed in or provided directly to a Management Headquarters and is essential to its operation. This includes both staff support (such as providing policy or program analysis or formulating policies, plans, and programs for a Management Headquarters) and operating support (such as in providing secretarial, typing, editorial, or ADP services to a Management Headquarters). "Direct support" does not include the provision of specific products or technical/operating-type services on a DoD or Component-wide basis (such as payroll services performed by Centralized Accounting and Finance Centers, or personnel records and assignment functions performed by Military Personnel Centers), or base operating support functions provided by a host unit to all tenant organizations.

2. Specific Management Headquarters and Headquarters Support Functions are defined in enclosure 1 of this Directive.

E. IDENTIFICATION OF MANAGEMENT HEADQUARTERS AND HEADQUARTERS SUPPORT ACTIVITIES

1. Management Headquarters Activities. The following are designated as Management Headquarters activities:

a. The Office of the Secretary of Defense, the Organization of the Joint Chiefs of Staff, the Defense Advanced Research Projects Agency, and the Defense Security Assistance Agency in their entirety, and the headquarters of the remaining Defense Agencies.

b Military Department headquarters down to and including major commands and bureaus.

c. Headquarters of major U.S. operating forces down to and including: (1) the Unified and Specified Commands, (2) Military Service Component command headquarters within the Unified Commands, (3) the numbered active duty U.S. Armies and Air Forces, and (4) the Navy Type Commands and Fleet Marine Forces.

d. Headquarters of international military organizations in which U.S. forces participate.

e. Headquarters of subordinate commands involved in materiel acquisition, supply, and logistics management functions within the Army Materiel Development and Readiness Command, Naval Materiel Command, and Air Force Systems Command.

f. Other headquarters immediately subordinate to any of the headquarters identified in a. through d., above, when either of the following criteria is met:

(1) The primary or preponderant mission of the headquarters is to perform Management Headquarters functions for the Department of Defense, a DoD Component, or for its own subordinate units, organizations, or agencies. This applies when more than 50 percent of the effort of the organization's total personnel resources is devoted to the performance of such functions.

(2) A substantial portion of the headquarters' mission involves the performance of Management Headquarters functions for the Department of Defense, a DoD Component, or for its own subordinate units, organizations, or agencies. This applies when more than 25 percent of the effort of the organization's total personnel resources is devoted to the performance of such functions.

2. Management Headquarters Support Activities. The following are designated as Management Headquarters Support activities.

a. Organizations that, as their primary or preponderant mission, are responsible for providing direct support to one or more Management Headquarters. This applies when more than 50 percent of the effort of the organization's total personnel resources is devoted to the performance of direct support functions.

b. Organizations that provide direct support to one or more Management Headquarters as a substantial portion of their mission. This applies when more than 25 percent of the effort of the organization's total personnel resources is devoted to the performance of direct support functions.

3. DoD organizations currently identified as meeting the Management Headquarters and Headquarters Support criteria are listed in enclosure 2 of this Directive.

F. ACCOUNTING FOR MANAGEMENT HEADQUARTERS AND HEADQUARTERS SUPPORT PERSONNEL

1. In accounting for personnel performing Management Headquarters and Headquarters Support functions, DoD Components shall include:

a. All personnel authorized to the organizations identified in paragraphs E.1.a. through E.1.d., and E.2.a., above.

b. All personnel authorized to those constituent organizational elements (such as, detachment, office, directorate, division, branch, or section) performing Management Headquarters or Management Headquarters Support functions as a preponderant portion of their mission in organizations identified in paragraphs E.1.e., E.1.f., and E.2.b.

2. Management Headquarters or Headquarters Support functions may not be established or transferred outside of a Management Headquarters or Headquarters Support organization for the purpose of circumventing the personnel accounting and reporting provisions of this Directive.

3. Multiple authorization documents, dual-hatting, or other special personnel authorization accounting devices may not be used to distort the true strength or structure of Management Headquarters or Headquarters Support activities.

G. RESPONSIBILITIES

1. The Deputy Assistant Secretary of Defense (Administrati[illegible] (DASD(A)), shall:

a. Determine the composition of, maintain, and monitor the official list of DoD Management Headquarters and Headquarters Support activities attached at enclosure 2 and the list of DoD Management Headquarters and Headquarters Support functions attached at enclosure 1.

b. Conduct periodic reviews to ensure that DoD Components are accurately identifying and accounting for Management Headquarters and Headquarters Support activities in accordance with the criteria established in this Directive.

2. The Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) (ASD(MRA&L)) shall review the manpower levels and issue guidance on personnel authorizations for DoD Management Headquarters and Headquarters Support activities.

3. Heads of DoD Components shall:

a. Efficiently organize and staff Management Headquarters and Headquarters Support activities within their respective Components.

b. Designate a single office to implement the guidance contained in this Directive and coordinate matters regarding control of the number and size of Management Headquarters and Headquarters Support activities.

c. Maintain a management information system, in coordination with the ASD(MRA&L) and DASD(A), which identifies the number and size of Management Headquarters and Headquarters Support activities.

(1) As a minimum, this system shall be capable of collecting and reporting authorized strength data for each Management Headquarters and Headquarters Support activity by organization and category of personnel (military and civilian).

(2) This information shall be reflected:

(a) In the Five Year Defense Program (FYDP) using only Defense Planning and Programming Category program elements ending in "98." Activities not designated as Management Headquarters or Headquarters Support by this Directive shall not use such program elements.

(b) In the PB-22 budget exhibit submitted to the OSD in accordance with the requirements of the budget cycle.

(3) For FYDP and PB-22 budget submissions:

(a) The Secretaries of the Military Departments shall:

1 Report military and civilian personnel authorizations of organizations under their control.

2 Separately report their Department's military and civilian personnel authorized to international military organizations and to the Unified and Specified Commands.

(b) Heads of other DoD Components shall report military and civilian personnel authorizations under their direct control.

d. Conduct surveys or studies and establish administrative controls to comply with the provisions of this Directive.

e. Cooperate and coordinate, particularly in the case of Joint Activities, with other DoD Components in the exchange of Management Headquarters data.

f. Ensure that the list of DoD Management Headquarters and Headquarters Support activities for their respective Components remains accurate by promptly notifying the DASD(A) of all organizational changes effected by the Components that require a revision to the list.

g. Ensure that supplemental data is made available to the DASD(A) and ASD(MRA&L), as requested, in accordance with DoD Directive 5000.19 (reference (b)) and DoD Directive 5000.11 (reference (c)).

H. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately for application in the Fiscal Year 1983 Budget cycle. Forward two copies of implementing documents to the Deputy Assistant Secretary of Defense (Administration) within 120 days.

Frank C. Carlucci
Deputy Secretary of Defense

Enclosures - 2
1. Management Headquarters and Headquarters Support Functions
2. DoD Management Headquarters and Headquarters Support Activities

MANAGEMENT HEADQUARTERS AND HEADQUARTERS SUPPORT FUNCTIONS

A. Purpose

Organizational and management arrangements and command relationships differ greatly among DoD Components. A strict DoD-wide Management Headquarters comparison based on similarity of mission, title, organizational, echelon, or other superficial comparison is, therefore, inadequate to ensure DoD-wide comparability in identifying and accounting for DoD Management Headquarters activities. The organizational elements of the headquarters structures of the various DoD Components must be included or excluded from Management Headquarters accountability based on an analysis of their respective functions and the manner in which these functions are performed within each Component. Accordingly, this enclosure provides a common DoD-wide list of the functional areas that must be considered when identifying DoD Management Headquarters and Headquarters Support activities and when accounting for their personnel resources. It is to be used in conjunction with the definition and identification criteria contained at sections D. and E. of this Directive.

B. Functions

1. Administration. Management of administrative communications, documentation, publications, and reproduction programs; as well as correspondence, publications and reproduction services provided directly to a Management Headquarters activity.

a. Administrative Communications. The coordination, processing, and distribution of correspondence and general service messages.

b. Documentation. Creation, maintenance, and disposition of documentation and document storage and retrieval systems and equipment.

c. Publications. Manuscript preparation and writer-editor services, design, coordination, indexing, distribution, and periodic review of forms and publications; authentication and distribution of administrative order; and establishment and maintenance of technical libraries for a Management Headquarters activity.

d. Reproduction. Printing, duplicating, and copying services.

2. Audiovisual. Management of photographic, television, audiovisual, and graphic arts programs; as well as audiovisual services provided directly to a Management Headquarters activity.

3. Audit. Management of audit programs, including the development and establishment of audit objectives, policies, plans, and standards.

4. Command. Functions performed by the head of a Management Headquarters activity and his or her immediate staff; such as the deputy head, chief of staff, executive and special assistants, advisors, aides, stewards, secretaries, protocol personnel, and others performing similar functions.

5. Cost Analysis. Preparation of estimates of development, investment, and operating costs of program, equipment and system, and the collection, validation, and analysis of related cost data for a Management Headquarters activity when these functions are not counted under one of the other headings in this enclosure.

6. Data Automation. Management of data standardization, equipment selection and utilization programs, to include establishing policy for systems and satellite data processing units; as well as ADP support provided directly to a Management Headquarters activity.

7. Engineering and Construction. Management of engineering programs, to include criteria and design development and review, and the functional and technical review of the construction and major repair projects; as well as engineering and construction services provided directly to a Management Headquarters activity.

8. Environmental Sciences. Management of environmental sciences programs; to include oceanographic and meteorologic programs, as well as weather services provided directly to a Management Headquarters activity.

9. Facilities. Management of real estate, facilities, and civil engineering or public works programs; as well as facilities services provided directly to a Management Headquarters activity.

10. Financial Management. Management of budget, accounting and finance, internal review, and related financial management programs; as well as financial management services provided directly to a Management Headquarters activity.

a. Accounting and Finance. Development and direction of accounting and finance systems and services.

b. Budget. Budget formulation, presentation and execution, funding control and evaluation, budget analysis, and the furnishing of budgetary advice and guidance.

c. Internal Review. Review of command systems, procedures, and internal control.

11. Historical Affairs. Management of historical writing, research, studies, analyses, and heraldry programs; as well as the provision of historical or heraldry services directly to a Management Headquarters activity.

12. Information and Public Affairs. Management of internal and public information and community relations programs; as well as information and public affairs services provided directly to a Management Headquarters activity.

13. Inspection and Evaluation. Inspection of subordinate organizational echelons to ensure their readiness, effectiveness, and adequacy of operations for the performance of assigned mission; as well as permanent members of inspection teams supporting a Management Headquarters activity.

14. Intelligence. Management of intelligence collection, analysis, production, and evaluation programs, as well as intelligence services provided directly to a Management Headquarters activity.

15. Legal Affairs. Management of legal and legislative programs; as well as legal services provided directly to a Management Headquarters activity.

16. Logistics. Management of supply, maintenance, transportation, procurement, production and materiel programs; as well as supply, maintenance, and transportation services provided directly to a Management Headquarters activity.

a. Supply and Services. Supply programs and service functions, such as clothing sales, mortuary, laundry, drycleaning, and food services.

b. Maintenance. Equipment maintenance programs; as well as permanent members of standardization and evaluation teams supporting a Management Headquarters activity.

c. Transportation. Military and commercial air, sea, and surface transportation programs, motor vehicle management, logistic transportation planning and control.

d. Materiel Management. Logistic support of specified weapons and nonweapons systems, equipment, and commodities from delivery through disposal.

e. Procurement and Production. Procurement and production management for acquisition of weapons systems, equipment, materiel, and services.

17. Management Analysis. Development and presentation of integrated analyses and control information for the management of the principal missions and objectives of an organization when these functions are not counted under one of the other headings in this enclosure.

18. Management Engineering. Analysis of systems, procedures, organizations, methods, and techniques for the management and control of an organization's programs and activities; and the development or maintenance of work measurement systems when these functions are not counted under one of the other headings established in this enclosure.

19. Manpower and Organization. Allocating and controlling organization structures, manpower resources, grade authorizations, and evaluating manpower utilization; as well as permanent members of manpower and organization survey teams supporting a Management Headquarters activity.

20. Medical Services. Management of medical and health care programs; as well as medical services provided directly to a Management Headquarters activity.

21. Operations. Development and analysis of strategic, defensive and tactical operations; to include operational readiness, planning and requirements, standardization, evaluation, training, and command and control; as well as command and control services provided directly to a Management Headquarters activity.

22. Operations Analysis. Development of mathematical and scientific studies of operational programs, or analysis of the operational mix of weapons, equipment, tactics and strategy for a Management Headquarters activity.

23. Personnel. Management of civilian and military personnel programs, (such as staffing, career development, position classification, pay management, employee and labor-management relations, incentive awards and benefits), special services programs (such as welfare and recreation programs), and social action programs (such as race relations, EEO, and drug and alcohol abuse); as well as personnel services provided directly to a Management Headquarters activity.

24. Policy, Plans, and Programing. Formulation, coordination, and development of plans, policies, and programing actions, when these functions are not counted under one of the other headings established in this enclosure.

25. Religious Affairs. Management of religious affairs, counseling, and related moral welfare activities.

26. Research and Development. Management of basic and developmental research, test, and engineering programs.

27. Reserve Affairs. Management of reserve forces programs. (National Guard and Reserve personnel serving on active duty under the provisions of 10. U.S.C. 175(a)(9), 265, 678(a), 315(b), 3019(b), 3033(h), 3496, 8019(b), 8033(h), 8496 and 32 U.S.C. 708 are included, but will be accounted for separately from other active duty military personnel.)

28. Safety. Management of safety programs, such as flight, industrial missile, nuclear, explosive, driver, systems, surface and subsurface safety; as well as safety services provided directly to a Management Headquarters activity.

29. Security. Management of physical, personnel, information, and communications security programs; as well as security and police or guard services provided directly to a Management Headquarters activity.

30. Telecommunications. Management of communications programs; as well as electronic-communications services provided directly to a Management Headquarters activity.

31. Training and Education. Management of training and educational programs and related matters; such as educational research, evaluation, curriculum development and review.

32. Unit Administration. Direct support functions of the headquarters units of a Management Headquarters activity, such as the administration of punitive authorities, unit supply, the preparation and maintenance of duty rosters, and the maintenance of unit records.

DEPARTMENT OF DEFENSE

MANAGEMENT HEADQUARTERS AND HEADQUARTERS SUPPORT ACTIVITIES

I. INTERNATIONAL MILITARY HEADQUARTERS

North American Air Defense Command (NORAD)

HQ NORAD

North Atlantic Treaty Organization (NATO)

NATO Military Committee

Allied Command, Atlantic (ACLANT)
  HQ Supreme Allied Commander, Atlantic (SACLANT)
    HQ Eastern Atlantic Command (EASTLANT)
    HQ Western Atlantic Command (WESTLANT)
    HQ Iberian Atlantic Command (IBERLANT)
    HQ Submarines Allied Command, Atlantic (SUBLANT)
    HQ Striking Fleet, Atlantic Command (STRIKELANT)

Allied Command, Channel (ACCHAN)
  Commander-In-Chief, Channel (CINCCHAN)

Allied Command, Europe (ACE)
  Supreme Hqs, Allied Powers, Europe (SHAPE)
    U.S. Army NATO/SHAPE Support Group, 21st SUPCOM
    HQ Allied Forces, Northern Europe (AFNORTH)
    HQ Allied Forces, Central Europe (AFCNET)
      HQ Northern Army Group (NORTHAG)
      HQ Central Army Group (CENTAG)
      HQ Allied Air Forces, Central Europe (AAFCE)
    HQ Allied Forces, Southern Europe (AFSOUTH)
      HQ Allied Air Forces, Southern Europe (AIRSOUTH)
      HQ Allied Naval Forces, Southern Europe (NAVSOUTH)
      HQ Allied Land Forces, Southeastern Europe (LANDSOUTHEAST)
      HQ Allied Striking and Support Forces, Southern Europe (STRIKEFORSOUTH)
      HQ Allied Land Forces, Southern Europe (LANDSOUTH)
    HQ ACE Mobile Force (AMF)
    HQ United Kingdom Air Forces (UKAIR)

United Nations Command, Korea (UNC)

HQ UNC

U.S. Combined Forces Command, Korea

HQ CFCK

II. DEFENSE-WIDE/JOINT HEADQUARTERS

1. Department Activities

Office of the Secretary of Defense (OSD)

Organization of the Joint Chiefs of Staff (OJCS)

2. Departmental Support Activities

Air Force Data Services Center (OSD Support)
4203 Air Force Operational Processing Squadron
Washington Headquarters Services

3. Functional/Functional Support Activities

Defense Agencies

- Defense Advanced Research Projects Agency (DARPA)
  - DARPA Staff
- Defense Audiovisual Agency (DAVA)
  - HQ DAVA
- Defense Audit Service (DAS)
  - HQ DAS
- Defense Communications Agency (DCA)
  - HQ DCA
- Defense Contract Audit Agency (DCAA)
  - HQ DCAA
- Defense Intelligence Agency (DIA)
  - HQ DIA
- Defense Investigative Service (DIS)
  - HQ DIS
- Defense Mapping Agency (DMA)
  - HQ DMA
- Defense Nuclear Agency (DNA)
  - HQ DNA
- Defense Security Assistance Agency (DSAA)
  - DSAA Staff
- Defense Logistics Agency (DLA)
  - HQ DLA
- National Security Agency/Central Security Service (NSA/CSS)
  - HQ NSA/CSS

Field Activities

- American Forces Information Service (AFIS)
  - HQ AFIS*
- Department of Defense Dependents Schools (DODDS)
  - HQ DODDS*

4. Combatant/Combatant Support Activities

Unified Commands

- U.S. Atlantic Command (LANTCOM)
  - HQ LANTCOM
    - HQ Antilles Defense Command
    - HQ Iceland Defense Force
    - HQ U.S. Forces, Azores

- U.S. European Command (EUCOM)
  - HQ EUCOM
    - JMP Support Activities

- U.S. Pacific Command (PACOM)
  - HQ PACOM
    - JMP Support Activities
    - HQ U.S. Forces, Japan (USFJ)
    - HQ U.S. Forces, Korea (USFK)
    - HQ Taiwan Defense Command (TDC)

- U.S. Readiness Command (REDCOM)
  - HQ REDCOM

- U.S. Southern Command (SOUTHCOM)
  - HQ SOUTHCOM

Specified Commands

- Aerospace Defense Command (ADCOM)
  - HQ ADCOM

- Military Airlift Command (MAC)
  - HQ MAC
    - HQ 21st Air Force
    - HQ 22nd Air Force

- Strategic Air Command (SAC)
  - HQ SAC
    - HQ 8th Air Force
    - HQ 15th Air Force

III. MILITARY DEPARTMENT HEADQUARTERS

DEPARTMENT OF THE ARMY

1. Departmental Activities

Army Secretariat (OSA)

Army Staff (DA)
(includes National Guard Bureau)

2. Departmental Support Activities

Command & Control Support Agency
Management Systems Support Agency
Concepts Analysis Agency *
USA Intelligence Operations Detachment
USA Research, Development and Acquisition Information Systems Agency
HQ DA Staff Support Activity
Medical Materiel Agency*
HQ Medical Research & Development Command*
Adjutant General Center*

3. Functional/Functional Support Activities

TRANS-PORTATION

Military Traffic Management Command (MTMC)

HQ MTMC

DEPARTMENT OF THE NAVY

1. Departmental Activities

Navy Secretariat (SECNAV)

Chief of Naval Operations (OPNAV)

HQ Marine Corps (HQMC)

2. Departmental Support Activities

Field Support Activity
OPNAV Support Activity
Navy Regional Data Automation Center, Washington (NARDAC)*
Navy Tactical Support Activity
NCR Facilities & Services Staff
Navy Tactical Interoperability Support Activity
Board of Decorations and Medals
Aircraft Intermediate Maintenance Support Office

3. Functional/Functional Support Activities

Military Sealift Command (MSC)

HQ MSC

DEPARTMENT OF THE AIR FORCE

1. Departmental Activities

Air Force Secretariat (OSAF)

Air Staff

National Guard Bureau (NGB)

2. Departmental Support Activities

1947 Administrative Support Group
Air Force Data Services Center
(Air Force Support)

3. Functional/Functional Support Activities

(Transportation Management Functions performed by the Director of Transportation on the Air Staff, listed above on this page, and HQ Military Airlift Command, listed on page 2.)

ACQUISITION SUPPLY AND LOGISTICS	**Materiel Development & Readiness Command (DARCOM)** HQ DARCOM Service Support Activity Personnel Support Activity* Field Safety Activity Surety Field Activity* Installations & Services Activity* Inspector General Activity Security Support Activity* HQ Armament Materiel Readiness Command (ARRCOM)* HQ Armament Research & Development Command (ARRADCOM)* HQ Aviation Research & Development Command (AVRADCOM)* HQ Electronics Research & Development Command (ERADCOM)* HQ Communications & Electronics Materiel Readiness Command (CERCOM)* HQ Communications Research & Development Command (CORADCOM)* HQ Missile Command (MICOM) * HQ Tank-Automotive Command (TACOM)* HQ Troop Support and Aviation Materiel Readiness Command (TSARCOM) * HQ Depot System Command (DESCOM)*	**Naval Materiel Command (NAVMAT)** HQ NAVMAT HQ Naval Air Systems Command (NAVAIR)* HQ Navy Aviation Logistics Center (NALC)* HQ Naval Electronics Systems Command (NAVELEX)* HQ Naval Facilities Engineering Command (NAVFAC)* HQ Naval Sea Systems Command (NAVSEA)* HQ Naval Supply Systems Command (NAVSUP)* **Office of Naval Research (ONR)** HQ ONR	**Air Force Logistics Command (AFLC)** HQ AFLC **Air Force Systems Command (AFSC)** HQ AFSC HQ Aeronautical System Division (ASD)* HQ Space Division (SD)* HQ Electronics Systems Division (ESD)* HQ Aerospace Medical Division (AMD)* HQ Armament Division (AD)*
READINESS AND RESERVE FORCES	**Forces Command (FORSCOM)** HQ FORSCOM HQ First Army HQ Fifth Army HQ Sixth Army	**Naval Reserve Command (NAVRES)** HQ NAVRES (Includes HQ Naval Air Reserve Force (NAVAIRESFOR). Management of Naval Reserve Force Ships is performed by CINCLANTFLT and CINCPACFLT, listed on page 6.)	**Air Force Reserve (AFRES)** HQ AFRES **Tactical Air Command** HQ TAC HQ 9th Air Force HQ 12th Air Force
TRAINING	**Training & Doctrine Command (TRADOC)** HQ TRADOC	**Naval Education & Training Command (CNET)** HQ CNET HQ Air Training Command HQ Technical Training Command	**Air Training Command (ATC)** HQ ATC
PERSONNEL	(Personnel Management functions performed by the DCS Personnel on the Army Staff, listed on page 3.)	**Navy Military Personnel Command (NMPC)** HQ NMPC **Naval Civilian Personnel Command (NCPC)** HQ NCPC	(Personnel Management functions performed by the DCS for Manpower & Personnel on the Air Staff, listed on page 3.)

ENVIRONMENTAL SERVICES	(Weather and related environmental services management functions performed by the DCS/Operations, HQ Military Airlift Command, listed on page 2.)	Naval Oceanographic Command (NAVOCEANCOM) HQ NAVOCEANCOM	(Weather and related environmental services management functions performed by the DCS/Operations, HQ Military Airlift Command, listed on page 2.)
RECRUITING	Army Recruiting Command (USAREC) HQ USAREC*	(Recruiting Management functions performed by HQ Navy Military Personnel Command, listed on page 4.)	(Recruiting Management functions performed by the DCS Recruiting Service, HQ Air Training Command, listed on page 4.)
COMMUNICATIONS	Army Communications Command (ACC) HQ ACC HQ 5th Signal Command, Europe HQ 7th Signal Command ACC, Western Command	Naval Telecommunications Command (NAVTELCOM) HQ NAVTELCOM	Air Force Communications Command (AFCC) HQ AFCC
DATA AUTOMATION	(Data Automation Management functions performed by the ACS Automation and Communications on the Army Staff, listed on page 3.)	Naval Data Automation Command (NAVDAC) HQ NAVDAC	(Data Automation Management functions performed by the DCS Data Automation, HQ Air Force Communications Command, listed above on this page.)
INTELL & SECURITY	Intelligence & Security Command (INSCOM) HQ INSCOM HQ Support Detachment Administrative Services and Audiovisual Activity INSCOM - Europe	Naval Intelligence Command (NAVINTCOM) HQ NAVINTCOM	(Foreign Intelligence Management functions performed by the ACS Intelligence on the Air Staff.)
	Criminal Investigation Command (CIDC) HQ CIDC	(Criminal Investigation and Counter-intelligence Management functions performed by Office of Naval Intelligence on the OPNAV Staff, listed on page 3, and HQ Naval Intelligence Command, listed above on this page.)	(Criminal Investigation and Counter-intelligence Management functions performed by the Inspector General on the Air Staff, listed on page 3.)
	(Security Management functions performed by HQ Intelligence & Security Command, listed above on this page.)	Naval Security Group Command (NAVSECGRU) HQ NAVSECGRU	Electronics Security Command (ESC) HQ ESC

MEDICAL	Health Services Command (HSC) HQ HSC (Other Medical Management functions performed by the Army Medical Materiel Agency and HQ Medical Research and Development Command, listed on page 3.)	Bureau of Medicine & Surgery (BUMED) HQ BUMED HQ Naval Health Sciences Education & Training Command HQ Naval Medical Research & Development Command HQ Naval Medical Material Support Command	(Medical Management functions performed by the Surgeon General on the Air Staff, listed on page 3, the Command Surgeon in each Major Command Hqs, listed on pages 3-6, and HQ Aerospace Medical Division in the Air Force Systems Command, listed on page 4.)
OTHER	Military District of Washington (MDW) HQ MDW Staff Support Activities U.S. Army Corps of Engineers (ACE) HQ ACE	Naval District Washington HQ NDW Marine Corps Staff Management Agency (MCSMA) MCSMA Staff	
	4. Combatant/Combatant Support Organizations	4. Combatant/Combatant Support Organizations	4. Combatant/Combatant Support Organizations
US PACIFIC COMMAND	Western Command (WESTCOM) HQ WESTCOM U.S. Army Japan/IX Corps (USARJ/IXCORPS) HQ USARJ/IXCORPS 8th U.S. Army (8AR) HQ 8AR	US Navy, Pacific Fleet (PACFLT) HQ PACFLT PACFLT Data Processing Svc Center, Pearl Harbor HQ Surface Force, Pacific (SURFPAC) HQ Submarine Force, Pacific (SUBPAC) HQ Naval Air Force, Pacific (AIRPAC) HQ Naval Training Command, Pacific (TRAPAC) HQ Naval Logistics Command, Pacific (NAVLOGPAC) HQ Fleet Marine Force, Pacific (FMF-PAC) HQ Third Fleet*	US Pacific Air Forces (PACAF) HQ PACAF HQ 5th Air Force HQ 13th Air Force
US ATLANTIC COMMAND	(Army Components provided by the Forces Command, listed on page 4.)	U.S. Navy, Atlantic Fleet (LANTFLT) HQ LANTFLT LANTCOM Operation Support Facility HQ Surface Force, Atlantic (SURFLANT) HQ Submarine Force, Atlantic (SUBLANT) HQ Naval Air Force, Atlantic (AIRLANT) HQ Naval Training Command, Atlantic (TRALANT) HQ Fleet Marine Force, Atlantic (FMF-LANT)	(Air Force Components provided by the Tactical Air Command, listed on page 4.)

US EUROPEAN COMMAND	**U.S. Army Europe/7th Army (USAREUR/7AR)** HQ USAREUR/7AR Staff Support Element WWMCCS Data Processing Center, Europe HQ Southern European Task Force (SETAF)/9th Support Command	**U.S. Naval Forces, Europe (NAVEUR)** HQ NAVEUR Fleet Operations Control Ctr. EUR/EASTLANT HQ Fleet Marine Force, Europe (FMF-EUR)	**U.S. Air Force, Europe (USAFE)** HQ USAFE HQ 3rd Air Force HQ 16th Air Force HQ 17th Air Force
OTHER		**Mine Warfare Command (MINEWARCOM)** HQ MINEWARCOM	**Alaskan Air Command (AAC)** HQ AAC

*Appropriate organizational elements only, per paragraph F.1.b., DoD Directive 5100.73

Senator **Jepsen**. Thank you very much, the committee stands adjourned.

[Whereupon, at 11:43 a.m., the subcommittee adjourned, to reconvene, subject to the call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1984

TUESDAY, MARCH 15, 1983

U.S. SENATE,
SUBCOMMITTEE ON MANPOWER AND PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.,

RESERVE AND NATIONAL GUARD MANPOWER REQUIREMENTS

The subcommittee met in open session, pursuant to notice, at 1:40 p.m., in room SR-232A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senators Jepsen, Warner, and Jackson.

Staff present: Alan R. Yuspeh, general counsel; James G. Roche, minority staff director; Paul C. Besozzi, minority counsel; Christine C. Dauth, chief clerk; Anthony J. Principi, counsel; Willis D. Smith, deputy staff director and chief scientist for the minority; Richard D. Finn, George K. Johnson, Jr., David S. Lyles, professional staff members; and Mary Kampo, staff assistant.

Also present: John Campbell and Carol Weatherly, assistants to Senator Warner; Ron Kelly, assistant to Senator Humphrey; Bob Savitt, assistant to Senator Cohen; John Roddy, assistant to Senator East; Kathleen Callahan, assistant to Senator Bingaman; Greg Pallas, assistant to Senator Exon.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator JEPSEN. The Subcommittee on Manpower and Personnel convenes this afternoon to continue its deliberation on the Department of Defense authorization bill for fiscal year 1984. Each component of the total force, Active Reserve and civilian, fulfills an important role in our overall defense strategy.

In order that the subcommitte can explore in greater detail each element of the total force, we have decided to proceed along functional component lines rather than by service. Today is our third hearing, and will focus on Reserve and Guard manpower requirements and trends. Reservists constitute approximately 45 percent of the total force structure, and make major contributions to the operations of their apparent military service in peacetime.

This year, as in the past, the defense budget has become the subject of intense debate, both in and out of Congress. Manpower readiness, sustainability, and modernization requirements and cost will come under close scrutiny. Our deliberations will, as always, be aimed at insuring that our national security interests are met, and that that is done in the most cost-effective way possible.

One area the subcommittee will consider this year is the mix and balance of our forces. We will study the feasibility of further expanding Guard and Reserve missions in fiscal 1984 and, more importantly, over the long term. Similarly, providing the Guard and Reserve with its fair share of modern equipment which is interoperable with that which has long been in use among the Active Forces and our allies will provide a higher degree of readiness in the total force and will provide a quantifiable benefit to our country's defense.

Your testimony this afternoon will assist us in addressing the very difficult issues that will confront us in the days ahead.

At this point, I would like to welcome Hon. Lawrence J. Korb, Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics, and Hon. Edward J. Philbin, Deputy Assistant Secretary of Defense for Reserve Affairs. Accompanying these gentlemen are Lt. Gen. Emmett Walker, Chief, National Guard Bureau, Maj. Gen. William R. Berkman, Chief of the Army Reserve, Maj. Gen. Herbert Temple, Director of Army National Guard, Rear Adm. R. F. Dunn, Director of Naval Reserve, Maj. Gen. Steven G. Olmstead, Deputy Chief of Staff of Reserve Affairs, Maj. Gen. Sloan Gill, Chief, Air Force Reserve, and Maj. Gen. John Conaway, Director of the Air National Guard, and Rear Adm. James Irwin, Chief, Office of the Coast Guard Reserve.

I welcome you gentlemen. Your statements will be made a part of the record as if read.

In view of the large number of witnesses testifying today, we have several panels. After this, I would request you summarize your statements.

I would also like to state for the record that what we bring into the record and discuss here will have a great deal of impact upon the final planning and outcome of the direction we will take as we unfold and work on the budget for 1984 in the outyears.

There is an increasingly growing consensus among the Congress that the defense budget will not include the approximate 10-percent increase the President has recommended and is steadfastly continuing to stay with. The early signs of the Senate Budget Committee indicate somewhat less.

I think, as I indicated the other day, we are going to be very careful, those of us who are deeply concerned about defense and have the added responsibility of being a committee member of the armed services for which we develop authorization and review programs.

We have an extra, I think, burden, this year, challenge, burden, opportunity, maybe all three, to inform ourselves and subsequently to transmit that to both our colleagues, the people in the administration, both the Secretary of Defense and those in the National Security Council and the White House itself.

The hue and cry by some who do not have the best interests of the Defense Establishment, the defense capabilities at heart, I will not judge the intent of their hearts or minds, but they seem to be bent, as we had in the seventies, the terrible seventies, toward a complete degradation of our defense capability.

The consensus, which is a necessary part of the way we work in this country, you must have consensus to support and effectively sustain any level of activity program including defense in this country. We have found that out. And in gaining consensus, it is incumbent upon us to give and present all of the education, all of the facts in as orderly and rational a manner as possible to the American public.

I do not think it has ever been more important that we do this as we go into the next 90 days in this Congress. The American people, if they are given the facts, come up with the right decision. Over a couple of hundred years, they usually have, and most always do.

Given the complete facts and information on the defense situation, I believe we will then come out with the consensus we need that will support the level we must have to attain and maintain the level of defense we must have, and that is the level that will keep the peace and prevent war and bloodshed, and enable us to go to the negotiating table with our adversaries and on a one-to-one basis effectively negotiate for what we all want, arms control and arms elimination and arms reduction.

It is not any more complicated than that, but that is very complicated, unless the total picture is presented. Those who are antidefense or seemingly are antidefense, their activities are based on an awful lot of heat and emotion and very little light. That is a simplistic way, with the support of the media in many instances, at least out of Washington, D.C., and that is not really attaining what we call true consensus.

So that is our challenge, and I think we are all on the same team, or had better get on the same team to make sure that we have presented to the American people the facts. They have got to be complete.

As we hear about defense and budget cutting, we hear about primarily the procurement of all the hardware. We hear little in the manpower area. We must make sure we tell that story also. We know $17 billion goes for pensions for our retired military. That is increasing at about $1 billion a year, somewhere in that neighborhood, $800 million.

Nine billion of the defense budget, the entire defense budget, goes into the area of personnel. Our adversaries, the Soviets, pay their new recruits 3 rubles a month. That is $5.50. It is quite different from what we pay our folks. I am not sure we would want to have it any other way, but it does economically amount to a considerable difference.

And that type story in fact needs to be presented to the American public, so that they understand that the strategic part of our budget expenditures are somewhere in the neighborhood of, I believe, 8 or 9 percent. That is not quite the same story that is being communicated to them.

With that in mind, I will now get off my soap box and welcome all of you. Dr. Korb, welcome back. You may proceed.

STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, RESERVE AFFAIRS, AND LOGISTICS

Dr. KORB. Thank you very much, Mr. Chairman.

I do thank you for this opportunity to present information on the current status of the Reserve components of the U.S. Armed Forces. My presence here today is an indication of the seriousness with which the Secretary of Defense takes up the subject of our Reserve forces.

I would also like in my statement to compliment the fine work Dr. Philbin and my other colleagues here have done in furthering the role of the Guard and the Reserve in our national security posture. I think that has been one of the good things we have done since this administration has been in office.

In my written statement, I have covered several areas that I believe are the most pertinent and timely to the Guard and Reserve. These are Reserve manpower, including pretrained individuals, equipment, the mix between Active and Reserve Forces, and readiness. I would like to spend a few moments on each of those subjects.

In addressing the subject of Reserve manpower, it is important to recognize that in many instances the Guard and Reserve are a defense bargain. In their absence, the American taxpayer would be burdened supporting a much larger active force that would be required to meet our security needs. Many of these units, Guard and Reserve units, will be committed to combat immediately following mobilization.

Therefore, enhancing the recruiting and retention of personnel and ensuring that their equipment and training lead to true combat capability are vital elements in our national security effort. The strength of the Reserve components continues to improve. This follows the period from 1974 through 1978, in which strength drastically declined.

Preliminary recruiting statistics for the first quarter of fiscal 1983 demonstrate the positive trend is continuing.

One of our most serious concerns, however, is that we do not at present have enough individuals with prior military training who can be called upon in times of national emergency. These pretrained individuals must be immediately available as fillers for under-strength active and Reserve units and replacements for casualties during the early days of a full mobilization before new enlistees or inductees can be available.

This demand can only be met by members of the Individual Ready Reserve, the inactive National Guard, standby Reserve, and retired military personnel.

Initiatives to improve IRR strength have resulted in an increase of about 40,000 individuals since the low point in mid-1978. While our low-cost or no-cost initiatives have significantly increased IRR strength, by themselves thay cannot fully provide the manpower resources to meet wartime requirements. The only real long-term solution to the shortage of pretrained individuals is to increase the length of military service obligation above its current level of 6 years.

Proposed legislation to accomplish this change died in the 97th Congress. We are asking the 98th Congress for the authority to increase this obligation from 6 to 8 years. The amount of time served on active duty or in the selected Reserve would not be affected, but the time served in the IRR before normal discharge would be extended. This change would produce the required manpower, but because we do not think it should be retroactive, it would be 6 years after enactment before any gains in IRR strength are obtained.

An enhanced IRR reenlistment bonus program appears to possess the greatest potential to increase IRR strength significantly in the near term.

Another initiative is the IRR direct enlistment option which the Army began in February of this year. This program would allow individuals to enlist, attend initial training in shortage skills, and complete their remaining service obligation in the Individual Ready Reserve. Legislation to reinstate an Individual Ready Reserve reenlistment bonus at the $900 level and for a direct enlistment bonus of $1,000 is being submitted to Congress.

IRR incentives could be reduced or eliminated after the longer military service obligation goes into effect.

Another legislative proposal under consideration would open eligibility for servicemen's group life insurance to members of the Individual Ready Reserve.

I would like to turn to the subject of equipment. Equipping the Guard and Reserve force is the most complex and persistent problem we face in preparing these components for their role in the Nation's war plans. That role encompasses the combat missions and even more importantly the logistic and support functions such as supply, maintenance, and transportation, upon which our forward deployed Active Forces are critically dependent, even in the very first days of hostilities.

However, I am pleased and proud to report to you that these problems are recognized by the Reagan administration. Secretary Weinberger and the President himself have a strong personal interest in the Reserve components, and have directed that they be supported on a priority basis.

Secretary Weinberger emphasized his own commitment to a ready, well-equipped Guard and Reserve in these words:

> I expect each service Secretary to ensure that his service policies state this claim explicitly, and to ensure further that such policies are strictly followed unless extraordinary circumstances prevent it. I believe it would be appropriate for you to insist upon personally approving any deviation from those policies within your service.

The Secretary of Defense put these words into action when he made a program budget decision that addressed major equipment shortages in the Army. That decision added $658 million to the Army fiscal year 1984 procurement budget for equipment shortages, and directed that a sizable fraction of that money be applied to shortages in Army, Guard, and Reserve units.

Resolution of Guard and Reserve equipment deficiencies including tools and test equipment will not be easy even in an unconstrained fiscal environment. What has taken some two decades to evolve cannot be reversed in 2 years. The congressional action last year requiring an annual report on the status of Guard and Reserve equipment is an excellent way to bring attention to these problems.

We expect to be working closely with you and the services in establishing reasonable priorities and budget actions to overcome our equipment shortages. This audit will support the defense policy that the units to fight first, Active or Reserve, are to be equipped first.

Senator **Jepsen**. Excuse me a moment. How are these reports coming? Can you tell me what their status is?

Dr. **Korb**. I believe they are due in February. They were sent over here on February 15.

Senator **Jepsen**. I am sorry. I did not hear you.

Dr. **Korb**. They were sent over on February 15.

Senator **Jepsen**. Thank you.

Dr. **Korb**. I would like to turn to the mix between Active and Reserve component forces. In every budget presentation of Reserve and Guard forces, one question is properly asked: Is the mix between Active and Reserve component forces the best mix possible?

This year, in recognition of the fact that many Reserve and Guard units are not only of very high quality, but are less expensive to operate and maintain than their Active counterparts, many more are asking that same question. It deserves an honest, factual answer. It is generally true that a Guard or Reserve unit is less costly to operate and maintain than an active unit of the same size, type, equipment level in mission.

Even in those cases where Reserve and Guard units have received sufficient resources, so that their capability is on a par with similar active units, those Reserve and Guard units are often less expensive to operate and maintain. Thus, DOD operates on the policy that our Active Force should be no larger than absolutely necessary to meet our national security objectives.

The cumulative increase since fiscal 1980, the beginning of this administration, for all Reserve components is nearly 160,000 people, or 18 percent. In that same time, the Active Forces have grown by 115,000, or only 5 percent. There can be no doubt of this administration's commitment to the Reserve components.

In making force mix decisions, we must be concerned with the need for deployed forces, a support base in the continental United States, a rotation base for deployed manpower and readiness.

DEPLOYED FORCES

Because of foreign policy commitments, some of our forces need to be continuously deployed in overseas locations or be at sea for extended periods. Such forces, comprising about 30 percent of our fiscal 1984 active military manpower budget request cannot be Guard or Reserve units because except for very short periods they must be located near their members' homes, the Conus, or the continental U.S. base.

Another 35 percent of our Active Forces perform training, headquarters, maintenance, communications, intelligence, R&D, and other similar functions for both Active and Reserve component forces in the continental United States. Because these support activities must be performed full time, even in peace time, they cannot be performed by Guard and Reserve members who are available only part of the time. The Guard and Reserve have units in this category, but they are designed to augment the active Conus base upon mobilization.

THE ROTATION BASE

A large portion of our Conus-based Active Forces is needed to provide a rotation base for those soldiers, sailors, airmen and marines stationed overseas or afloat. If that base is reduced, overseas tours must be lengthened or stateside tours shortened. This would have serious impact on the morale, discipline, recruiting, and retention, and would increase costs.

READINESS

We must have active rather than Guard and Reserve units where the need for responsiveness dictates a continuously available force. Into this grouping fall most of our strategic forces, both offensive and defenseive, and the majority of those units that must deploy within a very short period after a decision is made to reinforce our forward deployed forces.

In any decision to add Reserve component units and make a corresponding reduction in the Active Force, the rate at which readiness is achieved is a critical factor. With adequate resources for such things as full-time support personnel and extensive training, Reserve component units can match the readiness levels of active units.

Obviously, as we provide more full-time people and training time to a Reserve component unit, we also narrow the cost differential between the Active and Reserve component unit, but the important thing to remember about Reserve component readiness is that it does not improve or worsen, for that matter, as quickly as an Active unit.

When a new Reserve component unit is being organized, its people recruited and trained and equipment issued, its readiness is inadequate. A new Reserve component unit requires more time to develop full readiness. Thus, decisions to shift active missions and units to the Reserve components without adequate planning time will result in major losses of readiness.

Only if the Active unit is kept ready until the Reserve component unit is fully trained can we minimize losses in readiness. Accordingly, we will incur losses in force readiness in the near term with each decision to activate units in one component and simultaneously deactivate them in another.

OTHER PRACTICAL ISSUES

There are other practical issues associated with shifting missions from the Active Force to the Reserve components, such as, can the number of people with the skills required be recruited in one location to form a Guard or Reserve unit? Will that location be where facilities already exist, or will new armories, ranges, and maintenance buildings have to be constructed? Are there other Reserve component units in the same region that will suffer from the increased recruiting activity? And finally, what additional support will be required, such as maintenance, administration, and advisory activities?

All of these considerations call for careful and deliberate analysis on the part of the military departments in full consultation with the governors in the case of the Guard units before prudent decisions can be reached.

Both the House Armed Services Committee and the Senate Appropriations Committee asked for reports about the Active-Reserve component mix. In the Defense Manpower Requirements Report in February, we provided the House Armed Services Committee our intial response, but we are doing more. Over the next few months, we will be reviewing the criteria used by the military departments to establish their Active-Reserve component mix.

Following that review, we expect to provide further guidance to the military departments on this matter. Also, we plan to make the Active-Reserve component mix a high interest issue in the review of the service programs for the fiscal year 1985–89 defense program review this summer.

In sum, proposals to increase our reliance on the Reserve components warrant and, as has been the case in the past, are receiving our thoughtful examination. However, I urge those who would seek to make such force mix changes in the fiscal 1984 budget not to do so. Such changes done in a single budget year without adequate prior analysis and planning can only result in near-term losses in military capability, great personnel turbulence, and added costs of personnel turnover.

Based on past transfers of missions, 24 months would be a minimal time estimate.

In keeping with out policy of maintaining the smallest active component force consistent with national security objectives, we will look at the feasibility of such changes over the longer term wherein readiness and personnel turbulence can be managed more effectively.

In conclusion, Mr. Chairman, I wish to express my appreciation for the generous support of this subcommittee and that of the Congress in general. The Guard and Reserve units and pretrained individual manpower are the repository of skills this country desperately needs, and that would exact an incalculable price in time and resources to replace.

Recognizing the vital contribution they make to our national security, I believe the fiscal and management attention to solve their problems can and should be provided by the military services, the Congress, and ultimately the American people. I am therefore particularly grateful for the opportunity to testify before this committee today. Working together, we can assure the Guard and Reserve retain their deterrent capability and that they fulfill with great distinction the missions they have been assigned for the defense of this Nation.

I am now prepared to answer any questions which you might have.

[The prepared statement of Dr. Korb follows:]

PREPARED STATEMENT OF DR. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE—MANPOWER, RESERVE AFFAIRS, AND LOGISTICS

Mr. Chairman and members of the Subcommittee; I thank you for this opportunity to present information on the current status of the Reserve Components of the United States Armed Forces. During hearings before the 97th Congress statistics were presented that illustrated the immense contribution that these Reserve Components make to our national defense. I wish to cite some updated figures to underscore just how dependent this country is on it's Guard and Reserve. The 1984 Fiscal Year budget calls for fourty-one percent of the total force of three million six hundred and fifty thousand military personnel to be members of Guard or Reserve units, Guard and Reserve trainees or part of the Pretrained Individual Manpower resources of the Reserve Components. Compared to four years ago that dependence is growing. In FY 1980 the Guard and Reserve were 29% of the Total Force.

The specific contributions by component include:

Army National Guard: 33 percent of Army Combat Divisions, 73 percent of Army Separate Brigades, 57 percent of Army Armored Cavalry Regiments.

Army Reserve: 100 percent of Army Training Divisions/Brigades, 34 percent of Army Tactical Support, 27 percent of Army Special Theater Forces, 23 percent of Army General Support Forces.

The Air Force Reserve and Air National Guard continue to make significant contributions to our strategic and tactical airlift and strategic refueling capability including support of the Rapid Deployment Joint Task Force (RDJTF). Fifty percent of the Air Defense Alert Sites in the Continental United States and 100 percent of those in Hawaii are manned 24 hours a day by Air National Guard aircrews.

The Navy and Marine Corps Reserve play a vital role in maritime defense and deterrence. Roughly one-fourth of the Marine Corps combat capability in aviation and ground combat elements is resident in the Marine Corps Reserve.

Two of the Navy's 15 Carrier Air Wings are in the Naval Reserve. One of these maintains shipboard qualifications for immediate mobilization and deployment and the other can be readied on short notice with minimal work-up time. The Navy's surface fleet is expanding with the introduction of the Oliver Hazard Perry class fast frigate and the Knox class frigate—a Total of 24 of these new ships will be in the Navy Reserve by fiscal year 1987. Supporting this new fleet and the active fleet as well will be a number of Shore Intermediate Maintenance Activities (SIMA) located strategically on both the East and West Coast and manned largely by Naval Reserve personnel.

All participating Guard and Reserve members are fully aware of their role in our defense posture. They know that if war or significant threat of war occurs that they will be called upon to fulfill their missions equally with their regular counterparts. They train accordingly and they readily accept the liability of recall that can be envoked by the President even before declaration of a national emergency. While there are any number of Guard and Reserve topics which could be discussed profitably, I will cover several which I believe are the most pertinent and timely: Reserve manpower, including pretrained individuals; military technicians; equipment; mix between active and Reserve Forces; and readiness.

RESERVE FORCES MANPOWER

In total the Reserve Components constitute 50 percent of the non-strategic combat capability and two-thirds of combat support and combat service support capability of the United States. The capabilities they represent have resulted in their full integration into the daily operations and contingency requirements of the Total Force. They are part-time professionals and as such most of the components constantly meet and exceed the most stringent of military standards.

In addressing the subject of Reserve manpower it is imortant to recognize that in many instances the Guard and Reserve are a defense bargain. In their absence the American taxpayer would be burdened supporting a much larger active force that would be required to meet our security needs. Many of these units will be committed to combat immediately following mobilization. Therefore, enhancing the recruiting and retention of personnel and ensuring that their equipment and training lead to true combat capability are vital elements in our national security effort.

SELECTED RESERVE STRENGTH

The strength of the Reserve Components continues to improve. This follows the period from fiscal year 1974 through fiscal year 1978 in which strength drastically declined. Preliminary recruiting statistics for the first quarter of fiscal year 1983 demonstrate that the positive trend is continuing.

Table 1 displays the strength of the Selected Reserve by component for the period from the end of fiscal year 1980 through the end of fiscal year 1985.

TABLE 1.—SELECTED RESERVE STRENGTH BY COMPONENT

[End fiscal year—In thousands]

Component:	1980 actual	1982 actual	1983 estimate	1984 request	1985 planned
Army National Guard	366.6	407.6	417.0	421.1	435.3
Army Reserve	206.6	256.7	268.5	272.9	282.4
Naval Reserve	87.1	93.9	105.8	119.0	126.4
Marine Corps Reserve	35.4	40.5	42.6	43.4	44.2
Air National Guard	96.3	100.7	101.8	104.1	106.1
Air Force Reserve	58.9	64.4	66.6	69.9	74.0
DOD total	850.9	963.7	1,002.3	1,030.4	1,068.3

Overall, the fiscal year 1984 request will allow the DoD to fill 85.4 percent of its Selected Reserve wartime unit requirements. The trained strengths of the Air National Guard, the Air Force Reserve and the Marine Reserve are between 95 percent and 100 percent of their requirements for fiscal year 1984. The Army Guard and Reserve are at approximately 82 percent of their requirements and the Naval Reserve at 84 percent. By contrast the active components are at about 92.5 percent for strategic, tactical and mobility forces.

From the end of the draft and the beginning of the All-Volunteer Force in fiscal year 1974 through the end of fiscal year 1978, the Reserve Components like their active counterparts, experienced a significant strength decline of 136,800. In the Army National Guard and Army Reserve alone this decline totaled 111,500. Since fiscal year 1979 the Department has had an aggressive program to build strength in the Selected Reserve. There are four reasons why we have been able to rebuild that strength.

First, in fiscal year 1979 Congress authorized and funded an incentive program for enlistment and reenlistment in the Selected Reserve. The Congress has approved substantial increases in this program every year since. The actual cost of this program was $47.0 million in fiscal year 1981 and $58.1 million in fiscal year 1982. We expect to spend $78.5 million in fiscal year 1983 and are requesting a total of $95.0 million for these incentives for fiscal year 1984. The authorized incentives are an enlistment bonus, educational assistance program, reenlistment bonus, affiliation bonus, and a student loan repayment program. The fiscal year 1982 DoD Authorizations Act extended the authority for the affiliation bonus through fiscal year 1985 and loan repayment through fiscal year 1983. As reflected in our 1978 reenlistment test program, the average term of commitment was 4.4 years for the test region and 1.3 years for the region without the bonus. This significant change in terms of commitment is reflected in the increasing strength of our reserve units.

Second, in addition to a successful incentive program, we offer non-prior service individuals shorter enlistment terms in the Selected Reserve. Those joining the Army Selected Reserve may do so for a three-year term with three additional years to be served in the IRR. Those joining other services' Selected Reserve may do so for four years, with a balance of two years in the IRR. In the past a full six years in the Selected Reserve was required of all enlistees. An equally important factor was the creation by Congressional authorization of a full-time reserve recruiting force which placed reserve recruiting on an equal footing with active recruiting. This has proven to be a very effective step and should be continued.

Third, to expand the recruiting base, a split training option was begun. It allows full-time students to participate in the Selected Reserve without interfering with normal school schedules. By splitting the usual 12-week initial active duty for training period into two increments this option permits the Reserve Components to enlist high school and college students while they are still in school.

Fourth, a program for the control of attrition has been implemented. This program encompasses the establishment of loss reduction goals; an accession cohort tracking system for better management; an increase in the Full-Time Support Program to upgrade training and readiness; revision of existing outmoded regulations; research in effective recruiting and retention methods; improvement of financial incentives; and improvement of training and leadership.

PRETRAINED INDIVIDUAL MANPOWER

One of our most serious concerns is that we do not at present have enough individuals with prior military training who can be called upon in times of national emergency. These pretrained individuals must be immediately available as fillers for understrength active and Reserve units and replacements for casualties during the early days of a full mobilization before new enlistees or inductees can be available. This demand can only be met by members of the Individual Ready Reserve (IRR), Inactive National Guard (ING), Standby Reserve, and retired military personnel. Initiatives to improve IRR strength have resulted in an increase of about 40,000 individuals since its low point in mid-1978. These initiatives, primarily no-cost legal or policy changes, included stopping automatic transfers to the Standby Reserve, improving reserve personnel management, streamlining administrative transfer procedures between the active force and the IRR, transferring individuals with mobilization potential to the IRR in lieu of discharging them from the active force, and giving women and enlistees 26 years of age and older the same six-year service obligation incurred by other enlistees. Initiatives already implemented which will increase the size of the IRR in future years include starting and enlistee's six-year obligation from the time active duty begins instead of from the time the enlistment contract is signed and requiring enlistees to complete any portion of an unfulfilled six-year military service obligation in the IRR rather than the Standby Reserve.

While these low-cost or no-cost initiatives have significantly increased IRR strength, by themselves they cannot fully provide the manpower resources to meet wartime requirements. The no-cost initiatives have been virtually exhausted. Without new programs to retain people in the IRR or provide another method of entry into it, IRR strength will remain relatively constant as shown in the following table.

TABLE 2.—IRR STRENGTH BY SERVICE

[End fiscal year—In thousands]

Service	Actual			Projected
	1980	1981	1982	1983
Army (includes ING)	212	223	230	258
Navy	97	99	78	74
Marine Corps	57	52	45	58
Air Force (includes ING)	47	45	43	37
DOD total	413	419	396	427

The Wartime Military Manpower Shortfall System (WARMAPS) is used to develop programs to satisfy projected trained manpower needs in wartime. It provides a common basis for reviewing Service projections of wartime manpower needs. The latest WARMAPS data is shown at Table 3.

TABLE 3.—*Wartime military manpower shortfall*

[1988 peak shortfall]	*Amount*
M+120	110,000
M+30	15,000
M+60	2,000

Note.—Shortfalls do not all occur at the same time after hostilities begin.

Aggregating gross shortfalls glosses over discrete ones such as those in enlisted and combat arms trained personnel. It would be impractical as well as wrong to use officer and noncombat arms personnel to make up these shortages should there be a need to mobilize. In an effort to identify specific shortages, we are gathering data from the Services and we are requesting additional legislation that I will discuss in a moment for IRR bonuses. We intend to target these bonuses at particular occupations where shortages exist or are anticipated.

The only real long-term solution to the shortage of pretrained individuals is to increase the length of military service obligation above its current level of six years. Proposed legislation to accomplish this change died in the 97th Congress. We are asking the 98th Congress for the authority to increase this obligation from six to eight years. The amount of time served on active duty or in the Selected Reserve would not be affected, but the time served in the IRR before normal discharge would be extended. This change would produce the required manpower but because we do not think it should be retroactive, it will take six years after enactment before any gains in IRR strength are obtained. The proposed legislation (DOD 98-60) is being submitted to Congress. During the interim period other initiatives and incentives will be necessary to generate strength increases.

An enhanced IRR reenlistment bonus program appears to possess the greatest potential to increase IRR strength significantly in the near term. During fiscal year 1981, Congress authorized a $600 reenlistment bonus for individuals who completed their military service obligation and reenlisted in the IRR or ING for three years. Analysis of this program indicated that the bonus was too small to be effective in increasing strength to the desired degree. The bonus authority was not extended, and the bonus ended on September 30, 1981.

Another initiative is the IRR direct enlistment option which the Army began in February 1983. This program will allow individuals to enlist, attend initial training in shortage skills and complete their remaining service obligation in the IRR. These trained soldiers may also opt for service on active duty or in the Selected Reserve. A modest enlistment bonus for this program is proposed. Extended IRR service, of course, will require periodic refresher training in order that skill levels may be retained.

Legislation to reinstate an IRR reenlistment bonus at the $900 level and for a direct enlistment bonus of $1000 is being submitted to Congress. IRR incentives could be reduced or eliminated after the longer military service obligation goes into effect. Currently, the only benefit of IRR membership is the opportunity to serve the nation quickly in the event of war. By itself, this is not a sufficiently attractive inducement to cause many IRR members to reenlist.

Another legislative proposal under consideration would open eligibility for Servicemen's Group Life Insurance (SGLI) to members of the IRR. These Ready Reservists are subject to recall during a national emergency but are presently excluded from participation in this program. Since premiums would be paid by the individual concerned it would be essentially a no-cost program to the government.

Getting sufficient numbers of people in the IRR solves only half of the problem. To be consistent with our goal to create a more substantial and effective pretrained manpower resource we need to provide the Services with the funds and manpower to manage these people properly. Such management includes personnel records updating and maintenance; screening of key employees; providing physical examinations; establishing dependent entitlements; updating security clearances; offering training opportunities; and providing pay and other financial services when appropriate. Our fiscal year 1984 budget request includes resources to continue initiatives in this area such as peacetime preassignment and predesignation of individuals to mobilization positions, provision of training opportunities for more IRR members, expansion of service programs for the identificaiton of mobilization positions that retirees can fill, maintenance of personnel files on retirees, peacetime assignment of retirees to mobilization positions, and streamlining of mobilization procedures for Standby Reservists.

We are confident that this integrated program of strength increases and improved management can satisfactorily resolve the mobilization manpower shortages by 1990.

MILITARY TECHNICIANS ACTIVE GUARD AND RESERVE POSITIONS

The 97th Congress provided the following direction to the DOD on this subject: "Each Reserve Component will be free to determine the appropriate mix of full-time military and military technicians."

The Department of Defense believes this direction was sound and should be allowed to stand. This guidance recognizes the benefits of both the AGR and MT programs, and supports the opportunity for the Reserve Components to continue to fill AGR positions through conversion of technician positions, or in other appropriate ways. Therefore, we believe continuation beyond fiscal year 1983 of the general provision in section 784 in Public Law 97-377, which establishes a floor for the strength of military technicians for each component is inconsistent with the above language and will impede the efforts of the Guard and Reserve Components to upgrade the readiness of their units. Flexibility needed to manage personnel in a mission oriented and financially responsible way will also be limited. The opportunity for military technicians to voluntarily serve their components in an AGR status will be reduced. On the other hand, conversion of technician positions in deploying units offers an opportunity to improve our military defense readiness posture at no additional cost.

Cost factors related to the MT/AGR program have been stressed in recent Congressional direction to the Department of Defense. Because of this, a comprehensive report entitled "Cost Analysis of Full-Time Support to the Reserve Components of the Army and Air Force", 29 October 1982, by Management Consulting and Research, Inc., under contract to DoD has been completed. Copies were provided interested Congressional Committees in December 1982. This report is a comparative cost analysis of the full-time support (FTS) program with emphasis on the cost of projected fiscal year 1983 conversion of military technicians to Active Guard/Reserve (AGR) personnel. The major conclusion of the report is that comparative costs of technicians versus AGR positions depend upon comparative grade structures of each. Therefore, we believe, based on the data in the report, cost-effective full-time support programs can be developed, in compliance with Congressional direction, if the programmed personnel mix is designed with that purpose in mind. This report will be used as a source document by the components in developing their cost and readiness benefits analysis in support of future budget submissions, justifying the mix of AGR personnel and military technicians. In addition, to assure that Congressional intent is met, the Department has issued draft policy guidance to the Services for the management of Full-Time Support personnel of the Guard and Reserve.

The Department also supports the Congressional direction, now Army and Air Force policy, which allows technicians to change voluntarily to AGR status and states that no military technician or civilian position will be abolished while incumbered for the purpose of reestablishing it as an AGR position.

Further, the Department is exploring means to streamline the programming and budgeting process for FTS resources.

EQUIPMENT

Equipping the Guard and Reserve forces is the most complex and persistent problem we face in preparing these components for their role in the Nation's war plans. That role encompasses the combat missions and, even more importantly, the logistic and support functions—such as supply, maintenance, and transportation—upon which our forward deployed active forces are critically dependent even in the very first days of hostilities.

The issue of shortages, incompatibility, obsolescence and non-deployability highlight the equipment posture of the Reserve Components. Shortages in the Guard and Reserve are primarily a reflection of the overall lack of equipment in the Total Force. The other issues, however, are affected by our modernization policies.

Historically most Guard and Reserve forces have operated with equipment that has been replaced as outmoded or declared as excess by the active components. This process often perpetuates a degree of obsolescence that results in entire communities or models of hardware "dying" in the Reserve Forces due to aging, lack of spare parts or support equipment, and/or plans for replacement.

Modernization "fall out" to the Reserve Components often results in incompatibility of equipment between Active and Reserve Forces, and, in Reserve Components possesing equipment which in not combat serviceable or even deployable. Such situations denigrate Reserve readiness because they inhibit training, penalize the combat capability of the units affected, increase the cost and complexity of maintenance and other logistics aspects and, present safety hazards as well. Equipment deficiencies also have a very negative effect on personnel recruitment and retention.

However, I am pleased and proud to report to you that these problems are recognized by the Reagan Administration. Secretary Weinberger and the President himself have a strong personal interest in the Reserve Components and have directed that they be supported on a priority basis.

In July 1981, President Reagan mandated that the Reserve Forces ". . . be manned, equipped and trained to meet their full responsibility as a combat-ready element of the Total Force." The reasoning behind the Commander-in-Chief's mandate was revealed by Secretary Weinberger in greeting the Interallied Confederation of Reserve Officers last summer when he said: "We can no longer regard Reserve Forces only as forces in Reserve. They should be, instead, adjunct forces . . . integrated as fully as possible into the daily operations of the active forces." I believe that theme will become recognized as a water-shed in Total Force thinking.

This integration of the Active, and Reserve Forces, organizationally, materially, operationally and mentally, is in my opinion the primary objective to be pursued by all of us who manage, lead, serve in or care about the nation's military forces.

We live in dangerous times. The global shrinkage brought about by advances in technology has made critical the need to maintain an adequate military defense in being. Only by establishing the closest possible relationship between the Active, and

Reserve Forces, can we guarantee with limited resources, the necessary military readiness. There is no more important mission than to accelerate the critically necessary force integration of which the Secretary spoke.

The Secretary of Defense clearly set forth the Department's policies for equipment procurement and distribution in June 1982 in his memoranda to the Service Secretaries and Chairman of the Joint Chiefs of Staff when he stated that "the . . . goal . . . is to equip all Active, Guard, and Reserve units to full wartime requirements . . ." and that ". . . equipment should be distributed regardless of component in a manner that ensures organizational integrity, maintenance compatibility, single generation supply support, and battlefield interoperability . . . Active and Reserve units deploying at the same time should have equal claim on modern equipment inventories." Secretary Weinberger emphasized his own commitment to a ready, well equipped Guard and Reserve in these words:

"I expect each Service Secretary to ensure that his Service policies state this claim explicitly and to ensure further that such policies are strictly followed unless extraordinary circumstances prevent it. I believe that it would be appropriate for you to insist upon personally approving any deviation from those policies within your Service."

The Secretary of Defense put these words into action when he made a program budget decision that addressed major equipment shortages in the Army. That decision added $658 milion to the Army fiscal year 1984 procurement budget for equipment shortages and directed that a sizeable fraction of that money be applied to shortages in Army Guard and Reserve units.

Resolution of Guard and Reserve equipment deficiencies, including tools and test equipment, will not be easy even in an unconstrained fiscal environment. What has taken some two decades to evolve cannot be reversed in two years. Nonetheless, this Administration has made a more determined effort for Guard and Reserve manpower and equipment than any previous Administration.

The Congressional action last year requiring an annual report on the status of Guard and Reserve equipment is an excellent way to bring attention to these problems. The second report, which was recently completed and submitted to the Congress not only displays shortfalls of major items but also provides a mechanism for auditing the procurement-through-distribution process. We expect to be working closely with you and the Services in establishing reasonable priorities and budget actions to overcome our equipment shortages. This audit will support the Defense policy that the units to fight first, Active or Reserve, are to be equipped first.

Unitary buys of new weapons systems that wil satisfy the needs of both the active and reserve forces is the best solution to the problem of incompatibility. This is not a new policy but rather the enforcement of an existing policy which was ignored in the past.

Multi-year procurement contracts (which allow us to get more for the dollars spent) offer another potential way to alleviate equipment shortfalls. Such a process enables early-on commitment to the full acquisition of a given system as opposed to a series of incremental contracts over time. Although requiring substantially more funding at the beginning of an acquisition cycle, these costs are more than recovered through "unitary buy" production and stimulated competitive bidding.

Finally, participation by the Reserve Chiefs in the full process of procurement and distribution of equipment by the Services is a critical element in insuring that the needs of the Guard and Reserve are addressed properly.

A year ago the Guard and Reserve equipment deficiencies totalled about $17 billion. While that seems large, please bear in mind that the shortages for the active Army alone come to about $40 billion. Despite increased funding, a sizeable deficiency still exists. There have been some improvements, but there is no quick fix. The need for more equipment, and more modern, compatible equipment in the Guard and Reserve is critical. Unitl, that equipment shortage is fixed completely, the capability of our Army, Navy, Marine Corps and Air Force to sustain a commitment of forces from their peacetime operating posture, or deploy effectively, is in some doubt.

THE MIX BETWEEN ACTIVE AND RESERVE COMPONENT FORCES

In every budget presentation of Reserve and Guard Forces one question is properly asked: Is the mix between active and Reserve component forces the best mix possible? This year, in recognition of the fact that many Reserve and Guard units are not only of very high quality but are less expensive to operate and maintain than their active counterparts, many more are asking that same qauestion. It deserves an honest, factual answer.

It is generally true that a Reserve or Guard unit is less costly to operate and maintain than an active unit of the same size, type, equipment level and mission. Even in those cases where Reserve and Guard units have received sufficient resources so that their capability is on a par with similar active units, those Reserve and Guard units are often less expensive to operate and maintain. Thus, DoD operates on the policy that our active force should be no larger than absolutely necessary to meet our national security objectives. In meeting those objectives, we must be concerned with the need for deployed forces; a support base in the Continental United States (CONUS); a rotation base for deployed manpower, and readiness.

DEPLOYED FORCES

Because of foreign policy commitments, some of our forces need to be continuously deployed in overseas locations or be at sea for extended periods. Such forces, comprising about 30 percent of our fiscal year 1984 active military manpower budget request, cannot be Guard or Reserve units because, except for very short periods, they must be located near their members' homes.

THE CONUS BASE

Another 35 percent of our active forces perform training, headquarters, maintenance, communications, intelligence, R&D, and other similar functions for both Active and Reserve Component forces in the Continental United States. Because these support activities must be performed full-time, even in peacetime, they cannot be performed by Guard and Reserve members who are available only part of the time. The Guard and Reserve have units in this category, but they are designed to augment the active CONUS base upon mobilization. Although many Guard and Reserve units and individuals do assist active forces in their peacetime missions, such as airlift and initial skill training at times of peak workload, the opportunity to expand such assistance is limited by the availability of the people in the units.

THE ROTATION BASE

A large portion of our CONUS-based active forces is needed to provide a rotation base for those soldiers, sailors, airmen and marines stationed overseas or afloat. If that base is reduced, overseas tours must be lengthened or stateside tours, shortend. This would have serious impact on the morale, discipline, recruiting, and retention and would increase costs.

An example of the rotation base problem in the Army will make this point more clear. Let us assume that a decision has been made to inactivate an active armored division and activate one in the Army Guard. Currently, of all the active Army enlisted men who are trained as tank crewmen, 44 percent are overseas; the balance are in CONUS. This proportion requires us to send tank crewmen in the grade of E-5 back overseas after only 19 months in CONUS. With the elimination of one active armored division in CONUS, the Army would be forced to a 17-month stateside tour between overseas tours. In his first six and a half years of service the young tank crewman would spend four and a half years, or nearly 70 percent or his time overseas!

The Army found during the mid-to-late seventies that long overseas tours for young enlisted people led to boredom and frustration that often led, in turn, to alcoholism, drug experimentation and crime. In addition, reenlistments declined. Enlistments also drop as soon as young men and women learn about the unattractive, long overseas tours.

Another factor to consider in this example is that lower reenlistment rates and higher disciplinary rates mean higher costs. The increased costs of active force turnover would offset much of the costs saved in operating and maintaining a Reserve rather than an active division.

READINESS

We must have active rather than Guard and Reserve units where the need for responsiveness dictates a continuously available force. Into this grouping fall most of our strategic forces—both offensive and defensive—and the majority of those units that must deploy within a very short period after a decision is made to reinforce our forward-deployed forces.

In any decision to add Reserve Component units and make a corresponding reduction in the active force, the rate at which readiness is achieved is a critical factor. With adequate resources for such things as full-time support personnel and extensive training, Reserve Component units can match the readiness levels of active units. Obviously, as we provide more full-time people and training time to a Reserve Component unit, we also narrow the cost differential between the Active and Reserve Component unit. But the important thing to remember about Reserve Component unit. But the important thing to remember about Reserve Component readiness is that it doesn't improve (or worsen for that matter) as quickly as an active unit When a new Reserve Component unit is being organized, its people recruited and trained, and equipment issued, its readiness is inadequate. A new Reserve Component unit requires more time to develop full readiness. Thus, decisions to shift active missions and units to the Reserve Components without adequate planning time will result in major losses of readiness. Only if the active unit is kept ready until the Reserve Component unit is fully trained can we minimize losses in readiness. Accordingly, we will incur losses in force readiness in the near term with each decision to activate units in one component and simultaneously deactivate them in another.

OTHER PRACTICAL ISSUES

There are other, practical issues associated with shifting missions from the active force to the Reserve Components.

Can the number of people with the skills required be recruited in one location to form a Guard or Reserve unit?

Will that location be where facilities already exist, or will new armories, ranges and maintenance buildings have to be constructed?

Are there other Reserve Component units in the same region that will suffer from the increased recruiting activity?

What additional support will be required such as maintenance, administration, and advisory activities?

NEED OF DELIBERATE PLANNING

All of these considerations call for careful and deliberate analysis on the part of the Military Departments, in full consultation with the Governors in the case of the Guard units, before prudent decisions can be reached.

Both the House Armed Services and the Senate Appropriations Committees asked for reports about the Active/Reserve Component mix. In the Defense Manpower Requirements Report in February we provided the House Armed Services Committee our initial response. We plan to do a better job of explaining our decisions in this regard, and we are taking two important steps in this direction:

Over the next few months we will be reviewing the criteria used by the Military Departments to establish their Active/Reserve Component mix. Following that review we expect to provide further guidance to the Military Departments on this matter.

Also, we plan to make the Active/Reserve Component mix a high interest issue in the review of the Service proposals for the fiscal years 1985–89 Defense program this summer.

In sum, proposals to increase our reliance on the Reserve Components warrant and, as has been the case in the past, are receiving our thoughtful examination. However, I urge those who would seek to make such force mix changes in the fiscal year 1984 budget not to do so. Such changes done in a single budget year, without adequate prior analysis and planning, can only result in near term losses in military capability, great personnel turbulence, and added costs of personnel turnover. Based on past transfers of missions, 24 months would be a minimal time estimate. In keeping with our policy of maintaining the smallest active component force consistent with national security objectives, we will look at the feasibility of such changes over the longer term wherein readiness and personnel turbulence can be managed more effectively.

CONCLUSION

In conclusion Mr. Chairman, I wish to express my appreciation for the generous support of this Committee and that of the Congress in general. The Guard and Reserve units and Pretrained Individual Manpower are the repository of skills that this country desperately needs and that would exact an incalculable price in time and resources to replace. Recognizing the vital contribution they make to our national security, I believe that the fiscal and management attention to solve their problems can and should be provided by the Military Services, the Congress and ultimately the American people. I am therefore particularly grateful for the opportunity to testify before this Committee today. Working together, we can assure that the Guard and Reserve retain their deterrent capability and that they fulfill with great distinction the missions they have been assigned for the defense of this nation. I am now prepared to answer any questions which you may have.

Senator **Jepsen**. Thank you, Mr. Secretary.

Dr. Philbin, do you have any statement or additional comment?

STATEMENT OF HON. EDWARD J. PHILBIN, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR RESERVE AFFAIRS

Dr. **Philbin**. No, sir, I do not.

Senator **Jepsen**. Dr. Korb, there was a long article in yesterday's Washington Post on the mix of Active-Reserve. You are quoted as saying we may have put a lot of wrong things into the Reserves in the 1970's for the wrong reasons. We will put a lot of combat support into the Reserves. A lot of people don't realize the active units in Europe right now are going to need Reserve components to support them should a war break out.

Do you believe we rely too much on the Reserves for combat support?

Dr. **Korb**. No, sir. My comments in the Post are derived from a conference that the Atlantic Council had last year on military manpower. At that conference, I said I thought it was important for us to take a look at the whole Active-Reserve mix, because I had reports from officials in previous administrations and officials in the field that there may be certain things that ought to be in the Reserves that were not there, or there were things in the Reserves that should go into the active.

What I said in talking about that was that people think of the Reserves only as something that gets there after the war starts or after it has been going on for a while. The point I was trying to make there is, our Active Forces in Europe could not even go into battle without the combat service support which is in the Reserves.

What we have to insure is that those units in the Reserves upon which the Active Forces depend in the early days of a war are at the level of readiness they need to be.

Senator **Jepsen**. What other missions were you referring to when you say, "We may have put a wrong thing in the Reserves in the 1970's for the wrong reasons?"

Dr. **Korb**. In 1973, when we developed the total force policy, the defense budget was falling very rapidly. We moved to a volunteer force, and people were putting things into the Active and Reserve Forces based more upon budget realities than careful planning.

Since this administration has come into office, we have begun to put more money into the budget. Our strategy has changed. Now is the time to take a look at that situation.

Senator **Jepsen**. Dr. Philbin, I believe you are familiar with the longstanding controversy over the command structure in the Army Reserve. In your personal opinion, are the Army Reserve and the Air Force Reserve so different that they require such dissimilar command structure?

Dr. **Philbin**. My personal opinion is that they are not that different.

Senator **Jepsen**. What is your personal opinion of the recent decision of the Secretary of the Army to change the management structure of the Army Reserve?

Dr. **Philbin**. Sir, as far as changing the structure of the CONUSA'S from three to five and eliminating the armories, I really have no personal opinion on that subject at all. My attention has been focused on the position of the Chief of Army Reserve and the authority he has or does not have as the functional staff manager of the Army Reserve.

As far as readiness is concerned, I think that particular aspect of the problem has more potential payoff.

Senator **Jepsen**. If you do not think it would make sufficient changes in the current structure, what additional steps would you recommend?

Dr. **Philbin**. I would recommend the Chief of Army Reserve be given those responsibilities which would make him the functional staff manager of the Army Reserve components, so that he would have control of programs and budgets to develop the fighting units of the Army Reserves and the combat support units of the Army Reserves to the levels required by the war plans.

There must be some structure between the Army Reserve as I envisage it and the Active Duty Forces, and that could be the five CONUSA structure the Army has talked about.

Senator **Jepsen**. What are some of those functions that you envisage?

Dr. **Philbin**. For the Chief of Army Reserve?

Senator **Jepsen**. Yes.

Dr. **Philbin**. To develop his programs, to identify programs, to submit a budget required to carry out those programs, to submit his equipment needs. These things are all now done, some with the participation of the Chief of Army Reserve, and some without, but for the most part, he is a participant but not the driving force behind those particular aspects which are intimately involved with the readiness of the Army Reserve as a whole.

Senator **Jepsen**. General Berkman, I would greatly appreciate your personal opinion on this issue. Would you care to comment?

STATEMENT OF MAJ. GEN. WILLIAM R. BERKMAN, USAR, CHIEF, ARMY RESERVE

General **Berkman**. Yes, sir. As it currently stands, the Chief of the Army Reserve is an adviser to the Chief of Staff of the Army, and the Army staff for all matters relating to the Army Reserve. The Chief of the Army Reserve is not a functional manager of the Reserve programs, and does not have primary responsibility with respect to the development of policy in all of the areas affecting the Army Reserve.

He and his office participate with the Army staff, and with those staff principals that have primary responsibility.

I do believe personally that greater responsibility as far as these functional areas and programs are concerned could be given to the Chief of the Army Reserve.

[The prepared statement of General Berkman follows:]

Prepared Statement of Gen. William R. Berkman, Chief Army Reserve, Department of the Army

Mr. Chairman and members of the committee, I appreciate this opportunity to discuss the Army Reserve. I also want to thank you on behalf of all the members of the Army Reserve for your past support. That support has been important to the progress achieved by the Army Reserve.

INTRODUCTION

Today the Army Reserve consists of more than 476,000 men and women. It is an essential element of the Total Army, the other components of which are the Active Army, the Army National Guard, and the Army's civilian employees.

Over 256,000 members of Army Reserve are in the Selected Reserve. Approximately 245,000 serve in units and more than 7,000 as individual mobilization augmentees to Active Component organizations. In addition more than 219,000 men and women serve as members of the Individual Ready Reserve (IRR). Members of the IRR are not currently assigned to specific units. They have been preassigned to specific mobilization stations where they would be further assigned in the event of mobilization as fillers, replacements and cadre for new units.

The majority of Army Reserve units are combat support, combat service support and general support units, although the Army Reserve also includes significant combat forces. Together with units of the other components these organizations comprise a Total Army: a Total Army which is balanced, structured and organized to perform its peacetime mission in the national strategy of deterrence and, should deterrence fail, to perform its wartime missions.

Examples of the contribution of the Army Reserve to the Total Army force structure are displayed in Figure 1.

FIGURE 1.—*Examples of U.S. Army Reserve units as a percent of the total Army unit structure, fiscal year 1983* [1]

Type unit:	*Percent*
Training division	100
Training brigades	100
Military intelligence (strategic research and analysis)	100
Civil preparedness support detachments	100
Army reserve schools	100
Manuever area commands	100
Manuever training command	100
Railway units	100
Judge Advocate General detachments	98
Civil affairs units	97
Psychological operations units	89
Smoke generator companies	86
Quartermaster petroleum, oil and lubricant supply companies	72
Quartermaster petroleum, oil and lubricant operating companies	63
Army hospitals	62
Terminal service/transfer companies	61
Services and supply capability	58
Conventional ammunition companies	51
Chemical decontamination companies/detachments	47
Watercraft units	45
Pathfinder units	43
Army medical units (other) [2]	40
Combat support aviation companies	38
Engineering water supply, well drilling, purification units	35
Major logistical units [3]	31
Truck companies	30
Nondivisional bridge companies	28
Combat engineer battalions	26
Special forces groups	25
Maintenance companies (direct support, general support, nondivisional)	22
Separate combat brigades	11
Field artillery brigades, headquarters detachments	9
Field artillery battalions [2]	9
Infantry battalions [2]	7
Mechanized infantry battalions [2]	2
Armor battalions [2]	

[1] Current Structure as of February 1983.

[2] Includes Organic and Separate Elements.

[3] Theater Army Area Command/Corps Support Command Headquarters Company and Material Management Center.

As these figures make clear, the units of the Army Reserve are not "forces in reserve." Quite the contrary. Today's Army Reserve is the very basis upon which the Total Army must rely if it is to accomplish its mission. As the effectiveness of today's weapons systems increases, so too does the importance of the Army Reserve's ability to augment, maintain and sustain our forces in combat.

Service in the Reserve Components has long been a cherished and honored part of the American citizen-soldier tradition. This year, 1983, we celebrate the 75th anniversary of the Army Reserve as a federal reserve force. The men and women of the Army Reserve who spend their weekends at scheduled drills, attend Annual Training and freely give additional time for the extra administrative planning sessions required to get the most out of those scheduled drills, are working hard to achieve readiness goals. By their service they contribute to our nation's freedom. The full dimension of their contributions includes time away from their families, their friends, businesses, and recreational opportunities. The contributions of individual reservists make the Army Reserve the cost effective force it is. I will review with you the progress of the Army Reserve during the past year and outline plans for the future.

ORGANIZATION

The organization of the Total Army can be analyzed by increments: the division increment, the non-divisional combat increment, including a special theater force increment, and the general support increment. The number and types of units in the Total Army are determined by the requirements for a balanced 24-division force including necessary support. The units of that force are provided by the Active and Reserve Components.

Army Reserve units constitute 32 percent of the Army's tactical support increment, 26 percent of general support force increment and [illegible]5 percent of the Army's non-divisional combat and special theater force increment (Figures 2 and 3).

FIGURE 2

USAR CONTRIBUTION TO TOTAL ARMY

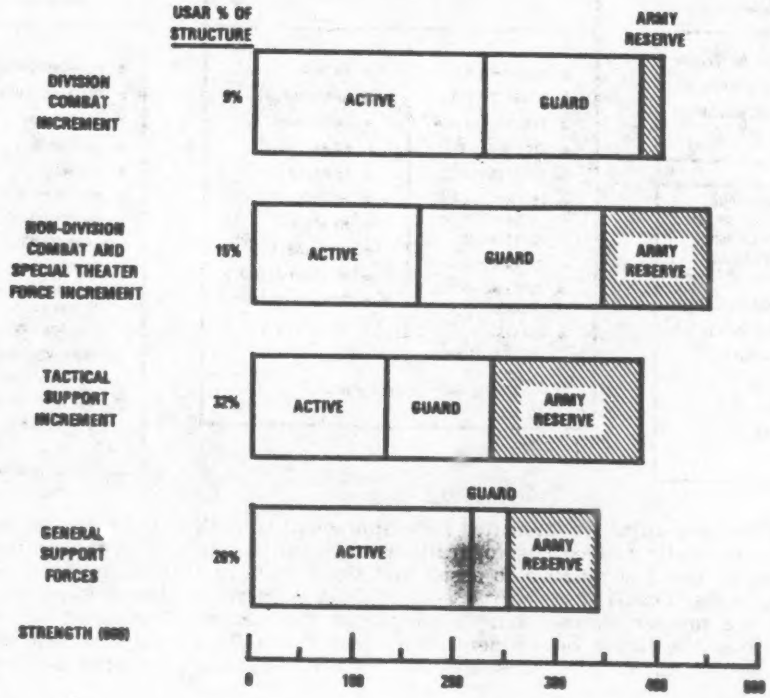

FIGURE 3

TYPE US ARMY RESERVE UNITS

DIVISIONAL FORCE INCREMENT

- INFANTRY BATTALION
- TANK BATTALION
- ENGINEER BRIDGE COMPANY

NON-DIVISIONAL COMBAT AND SPECIAL THEATER FORCE INCREMENT

- SEPARATE BRIGADES
- SPECIAL FORCES
- PATHFINDER
- ARTILLERY
- ENGINEER
- AVIATION

TACTICAL SUPPORT INCREMENT

- WELL DRILLING
- WATER SUPPLY
- TRANSPORTATION
- CIVIL AFFAIRS
- QUARTERMASTER
- PSYCHOLOGICAL OPERATIONS
- MAINTENANCE
- FIREFIGHTING
- JUDGE ADVOCATE GENERAL
- GRAVES REGISTRATION
- MEDICAL
- AMMUNITION
- CHEMICAL
- SIGNAL
- ENGINEER
- FINANCE
- AVIATION
- AMBULANCE
- MILITARY POLICE
- PETROLEUM SUPPLY
- INTELLIGENCE
- PORT CONSTRUCTION

GENERAL SUPPORT INCREMENT

- TRAINING DIVISIONS
- TRAINING BRIGADES
- GARRISONS
- HOSPITALS
- RAILWAY
- RECEPTION STATIONS
- TRANSPORTATION COMMANDS
- SCHOOLS
- CIVIL PREPAREDNESS SUPPORT DETACHMENTS
- MANEUVER AREA COMMANDS
- MANEUVER TRAINING COMMANDS

Army Reserve units are identified for employment to NATO and Korea as well as providing critically needed base operations and training support in the continental U.S., Hawaii and Puerto Rico to assist and train units and individuals for depolyment overseas. The Army Reserve also contributes several high priority units to support the mission of the Army's portion of the Central Command which has evolved from the Rapid Deployment Joint Task Force. These units include quatermaster, petroleum, supply, transportation, medical, engineer, ordnance and civil affairs units.

The Army Reserve unit structure is neither a mirror image of the Active Component nor of the other Reserve Component, the Army National Guard. Army Reserve units provide support across the entire spectrum of the Total Army, including the Active Army, the Army National Guard, and the Army Reserve. Consequently, Army Reserve units have early deploying and employing schedules. Approximately one-fifth of the deployable Army Reserve units would be committed within 30 days of mobilization. Some of these must deploy directly from their Reserve center to their ports of embarkation in order to meet their deployment schedules. Sixty-four percent of Army Reserve units will deploy between 30 and 60 days after mobilization, and practically all will deploy within 90 days.

Army plans over the next five year period call for the activation of approximately 235 units in the Army Reserve. The types of units scheduled for activation, are primarily combat support and combat service support and include engineer, medical, quartermaster, transportation and military intelligence. During the same period some units no longer required will be inactivated and/or reorganized to form the basis of the new units.

In fiscal year 1984 the Army Reserve will activate one divisional combat electronic warfare intelligence (CEWI) battalion and two separate CEWI group headquarters. These units are tailored to meet the anticipated threat and combat environment. They are essential to enable the commander to see the battlefield and employ his combat forces to the greatest advantage. In fiscal year 1985, an additional divisional CEWI battalion is programed for activation. Several Army Reserve hospitals are scheduled to be reorganized in FY 84 to a modernized structure. Two Army Reserve Mobile Army Support Hospitals as well as numerous other combat service support units also are to be activated in fiscal year 1984.

As part of the Army's chemical warfare efforts the budget supports activation of one chemical decontamination company, one smoke generator company and one

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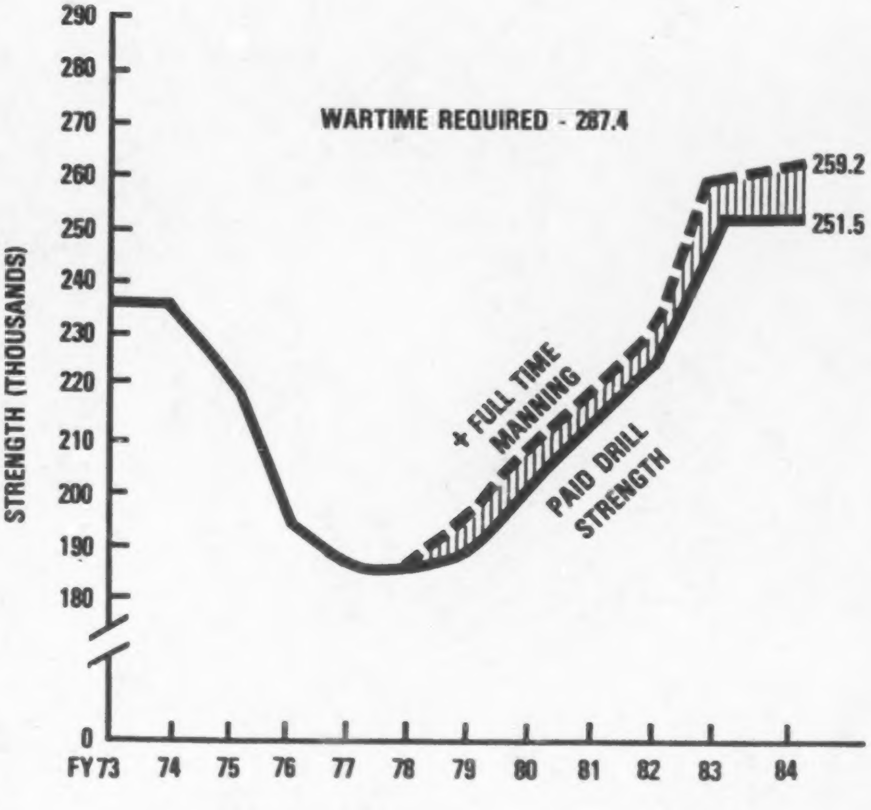
smoke generator battalion in fiscal year 1984. Fiscal year 1985 Troop Program Guidance further provides for activation of one chemical group headquarters, one additional smoke generator company and one decontamination company.

PERSONNEL

Bringing Army Reserve units up to authorized strength continues to be a matter of high priority. This has been an area of significant success. The personnel strength of the Army Reserve in troop program units reached a low point in 1978 of approximately 181,000. The end of strength has steadily increased by over 56,000 since then (Figure 4).

FIGURE 4

ARMY RESERVE TROOP PROGRAM UNIT END STRENGTH



The fiscal year 1982 troop program unit end strength of 246,443 was up about ten percent from the previous year. A four percent growth is budgeted for fiscal year 1983. Even though Army Reserve unit strength is showing considerable improvement it's still about 12,500 personnel short of authorized strength and about 50,000 short of wartime requirements.

Success in increasing troop program unit strength is attributable to improved retention and the success of the Army Recruiting Command and Army Reserve units in meeting manpower goals. The fiscal year 1984 budget reflects the Army's decision to control program costs. The fiscal year 1984 paid drill strength of troop program units will be held to the fiscal year 1983 level. In addition recruiting standards and retention criteria are being raised.

Programs supported by Congress have also contributed substantially to the improvement in strength. Monetary incentives were first initiated for higher priority units of the Army Reserve in December 1978. These incentives have had a two-fold effect: an increase in Army Reserve enlisted paid drill strength each year since initiation in fiscal year 1979; and the channeling of new members into high priority units and selected skills. These incentives currently include an enlistment bonus of $1,500 or educational assistance of up to $4,000 for qualified high school graduates who enlist in high priority units for six years. In addition to the education assistance program a $2,000 bonus is available for a six-year enlistment in 85 selected skills in any unit. In fiscal year 1982, 6,073 soldiers enlisted for the cash bonus and 4,684 soldiers enlisted for the education assistance option. A one-time only conversion either way between the cash bonus and educational assistance is authorized. Only high school diploma graduates who test as Mental Category III or higher are eligible to enlist for these incentives.

Another salutary effect of these incentives is improved retention in units. Over 7,900 bonus-eligible soldiers reenlisted for bonuses in fiscal year 1982. In addition to the bonus program, the alternate training program allows an individual to enlist in the Army Reserve and take Basic Training one year, go back to school (high school or college) and return the following year for advanced individual training. Six thousand seven hundred and four individuals participated in the program in fiscal year 1982. Approximately 8,000 are expected in fiscal year 1983 and fiscal year 1984.

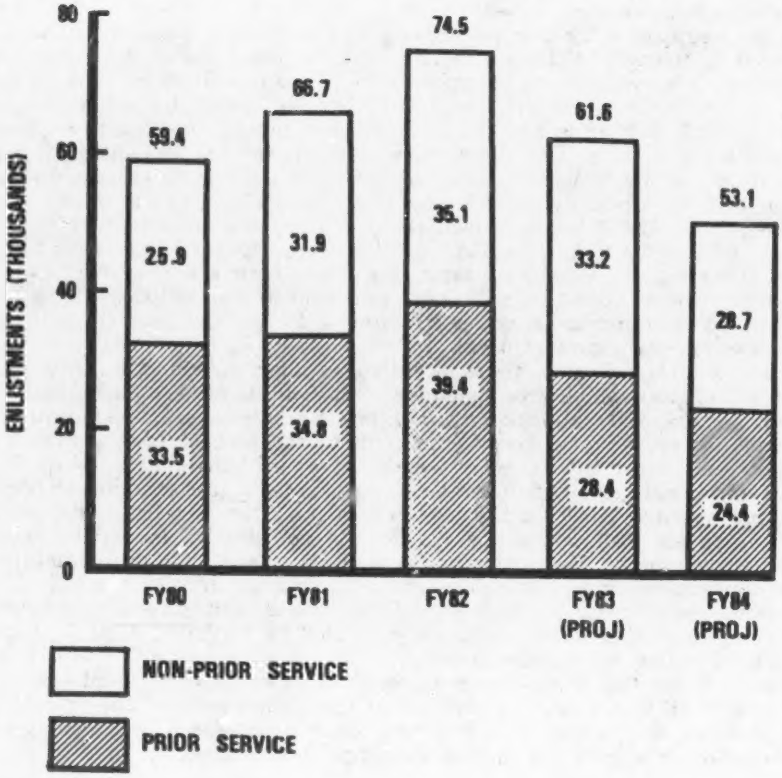
In addition an affiliation bonus provides for accession of individuals who have completed their active duty obligation and agree to serve any remaining military service obligation with a Selected Reserve troop program unit.

These successful programs for both enlistment and reenlistment have been modified to improve effectiveness in fiscal year 1983 by targeting 1,258 high priority units and 85 military occupational skills.

Figure 5 shows the Army Reserve accessions program from fiscal year 1980 to fiscal year 1984. The incentives will aid in the achievement of the projections for those years in conjunction with improved quality (increased accessioning of high school diploma graduates and Mental Category III and higher).

FIGURE 5

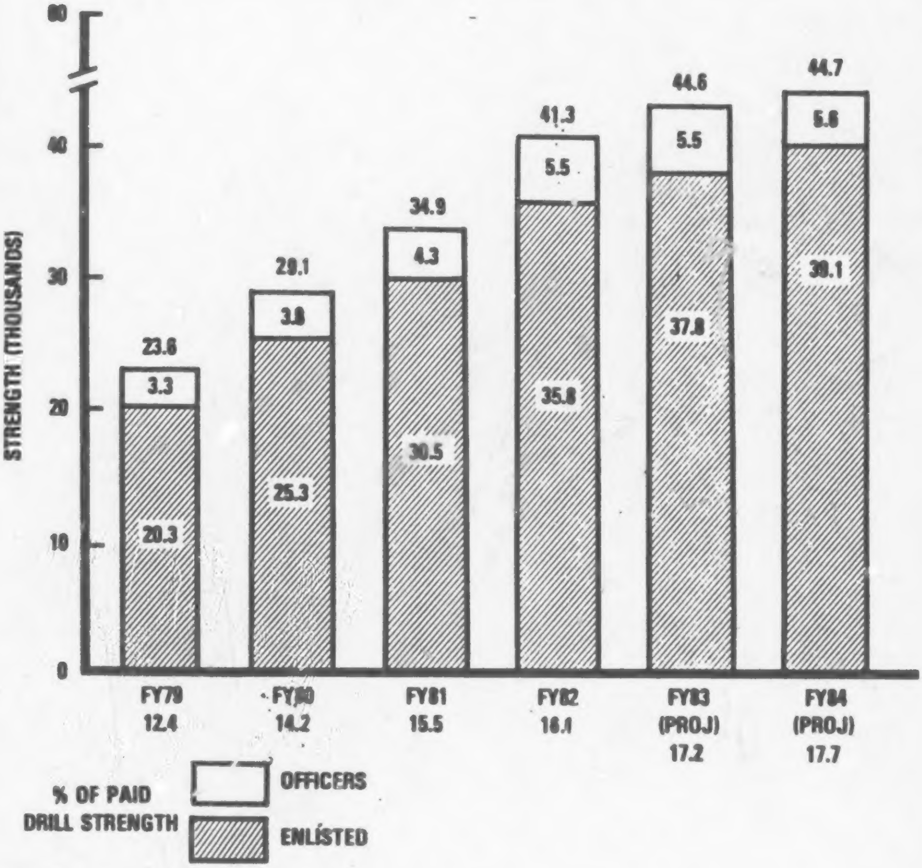
ARMY RESERVE ENLISTMENTS
(IN TROOP UNITS)



The women of the Army Reserve are important and valued members who serve in a variety of military occupational specialities. Although women are barred from combat-related specialties, approximately 84 percent of the military occupational specialties in the Army Reserve are available to them. Another way to put it is 306 of the 363 Army MOS's are available to women. Participation by women in Army Reserve units continues to increases as shown in Figure 6.

FIGURE 6

WOMEN IN THE ARMY RESERVE



FIGURES MAY NOT ADD DUE TO ROUNDING

More than 41,000 women are members of Army Reserve units. This represents 16.8 percent of the members of Army Reserve units. The fiscal year 1984 projection is 44,700 women reservists which is 17 percent of the force. The long-term programed strength is 51,154 women, comprising about 17 percent of the Army Reserve troop program unit personnel.

With respect to minority members of the Army Reserve, approximately 23 percent of the Selected Reserve is black. Minorities other than black comprise six percent of the force. Of these blacks and other minorities, 22.4 percent are female.

OFFICER ACCESSIONS

The Reserve Officers Training Corps Program (ROTC) is the cornerstone of our officer accessions. As ROTC production increases to the 10,500 level in 1985 some 3,000 officers a year will be assigned to the Army Reserve and will constitute approximately one half of our officer accessions. Other sources which provide officer accessions are the Active Component, Officer Candidate School and direct commissioning.

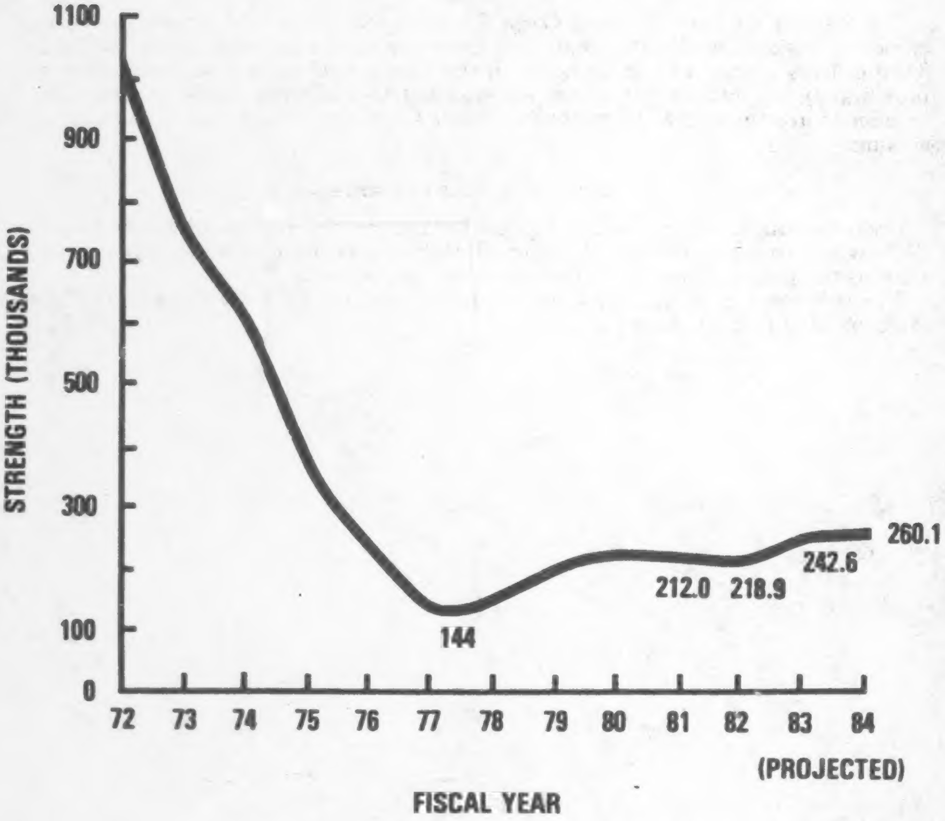
INDIVIDUAL READY RESERVE

Upon mobilization pretained individual soldiers in the Individual Ready Reserve (IRR) would be used to bring Active and Reserve units from their peacetime to wartime strengths, form new units, and serve as replacements.

The IRR reached a low of 144,000 members in early 1978. By the end of FY 82 (Figure 7) the IRR numbered 218,900.

FIGURE 7

INDIVIDUAL READY RESERVE STRENGTH



The increase was due in part to policy changes which now require all obligated soldiers in the IRR to be retained for the full term of their commitment unless specifically approved for transfer to the Standby Reserve. In the past these individuals were automatically transferred to the Standby Reserve at the completion of only five years of a six year obligation. Another recent policy change now provides that enlisted members of the Army will be assigned to the IRR if they have potential for useful service under conditions of full mobilization rather than being administratively discharged before completion of their six year military obligation. In fiscal year 1983 IRR strength increases will result from the legislative extension of the six year service obligation to all enlistees. This includes all females and males over 26 who are transferred to the IRR upon completion of their initial tours of active duty.

In fiscal year 1981 an IRR reenlistment bonus was funded. This program provided a bonus of $600 to individuals in selected skills who completed their obligation, had fewer than ten years of total service, and reenlisted for a minimum of three years. Three thousand eight hundred and fifteen individuals reenlisted for the IRR bonus in fiscal year 1981. The Congress did not continue this bonus into fiscal year 1982.

Fiscal year 1983 will mark the initiation of a non-prior service direct enlistment program for the Individual Ready Reserve (IRR) which is programed to add more than 3,500 members to the Army Reserve this fiscal year. These enlistees in combat and other selected critical skills will incur a six year service obligation. They will be required to take two week periods of refresher and sustainment training in their third and fifth years of service.

IRR members are preassigned to mobilization stations requiring their specialties. These preassignments are realigned monthly based upon validated mobilization requirements. Personnel management of pretrained individual reservists is also continuing to improve with better tracking and location procedures, more frequent contact, better counseling and faster notification procedures. Although progress has been made in improving the IRR strength and responsiveness, continued attention is needed in order to provide the pretrained manpower required from the IRR on mobilization.

INDIVIDUAL MOBILIZATION AUGMENTEE PROGRAM

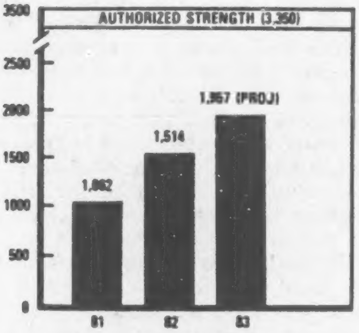
Another area of the increased emphasis is the Individual Mobilization Augmentee (IMA) Program. IMA personnel are individual Army reservists who are assigned to Department of Defense, Army agencies and Active Component units and other organizations to serve in critical wartime required positions. They are members of the Selected Reserve and consequently eligible to be included in the 100,000 Presidential call-up authority. Whenever possible, priority is given to selecting members who live within commuting distance of their units of assignment. This enhances their opportunity for year-round inactive duty training for retirement points only. Priority for fill of positions is geared to wartime positions not authorized in peacetime for early deploying Active Component units, and to those base support units which must be expended quickly to support deployment operations. This program has great potential for improved individual mobilization and Total Army readiness.

RECRUITING ARMY RESERVE HEALTH PROFESSIONALS

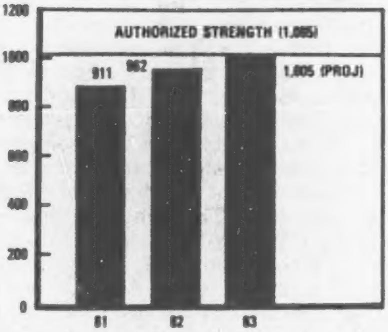
Recruiting health professionals for the Army Reserve continues to require emphasis. As a result of current initiatives, Army Medical Department officer strength in the Army Reserve is projected to increase significantly. Nonetheless, Army Reserve troop program units are still short 55 percent of the physicians and 28.5 percent of the nurses needed upon mobilization. While overall physician strength continues to show improvement, critical shortages remain in the surgical specialties (Figure 8).

FIGURE 8

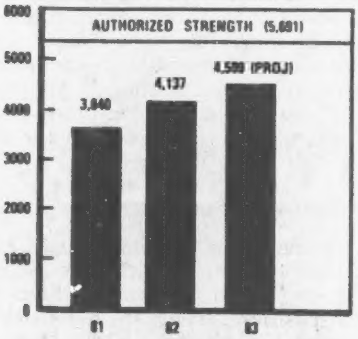
MEDICAL CORPS OFFICERS IN TPUs



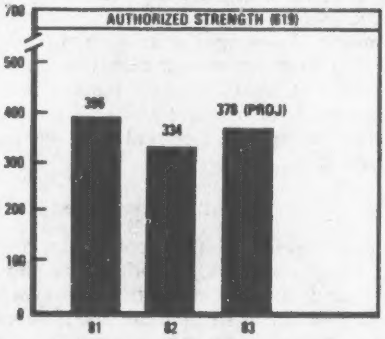
DENTAL CORPS OFFICERS IN TPUs



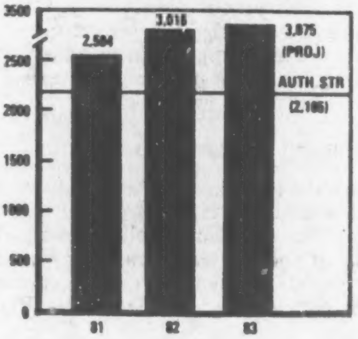
ARMY NURSE CORPS OFFICERS IN TPUs



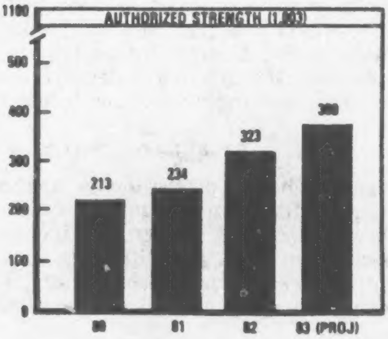
VC, AMSC OFFICERS IN TPUs



MEDICAL SERVICE
CORPS OFFICERS IN TPUs



MC STRENGTH IN TPUs - ALL SURGICAL SPEC



A joint recruiting effort by the Army Surgeon General's Office and the Army Reserve has been in progress since late fiscal year 1980. The projected strength figures for fiscal year 1983 are based on the demonstrated effectiveness of this recruiting program. This program produced 656 physicians in fiscal year 1981 and 550 physicians in fiscal year 1982. That recruiting program is projected to produce 450 physicians in fiscal year 1983 and annually thereafter for troop program units. Funds are provided in fiscal year 1983 and requested in fiscal year 1984 for 44 full time recruiters, three staff officers and civilian administrative support personnel.

The fiscal year 1983 budget and the fiscal year 1984 budget request include funds to upgrade continuing health education opportunities for 5,000 health professionals in the Army Reserve. This program contributes to the recruiting, retention, training and continuous professional credentialing of Army Reserve medical personnel.

FULL TIME SUPPORT

Historically the Army Reserve has had the lowest percentage of full time unit support personnel of all service Reserve Components. This deficiency has impeded the Army Reserve's capability to achieve readiness improvements; the full time support program is designed to remedy this deficiency. Full time support is provided by three categories of individuals: the Active Guard and Reserve (AGR) soldier, the Active Component soldier and the civilian technician.

AGR personnel are on active duty in full time support of the Army Reserve. They provide either full time unit or staff support. Full time unit support personnel are on duty with Army Reserve units. Staff support personnel are assigned within the command and control structure as well as in other assignments including recruiting and retention where Army Reserve expertise is required. The staff support personnel end strength for fiscal year 1983 is 3,024.

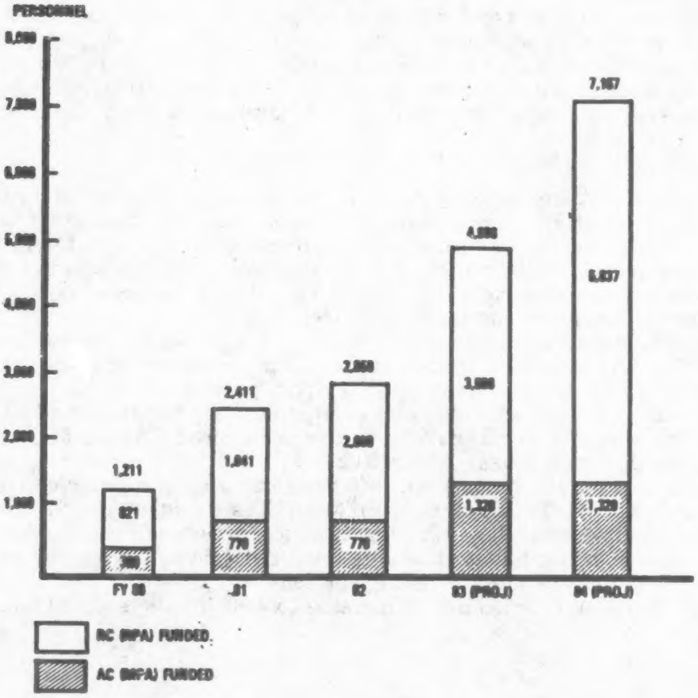
AGR personnel in unit support fall into two categories: the Technician Conversion Program and the Full Time Manning Program. These soldiers are full time specialists in functional areas such as training, logistics, maintenance and administration.

The conversion of civilian technicians produced 1,639 AGR personnel on active duty with Army Reserve units in fiscal year 1982.

Full time manning is scheduled to increase to 4,908 by the end of fiscal year 1983 (Figure 9).

FIGURE 9

US ARMY RESERVE
FULL TIME MANNING PERSONNEL



This number includes 3,588 AGR personnel and 1,320 Active Component personnel. The Active Component personnel bring to Reserve units current experience based on their duty with similar type Active Units. The spaces identified for full time manning reflect unit requirements and unique unit missions. The Full Time Manning Program will pay increasingly significant dividends by enhancing unit readiness in a number of areas: improved training management, training, mobilization planning maintenance, logistics and administration.

Civilian technicians are an integral part of the full time support program. The Congress established a floor of 6,753 of these technicians for fiscal year 1983. The fiscal year 1983 budget reflects increases in AGR personnel to a total end strength of 8,251.

A career management program for AGR personnel has been developed to attract and retain qualified personnel. It provides for competitive entry criteria, rotational assignments and selective retention provisions similar to the Active Component.

DRILL ATTENDANCE REPORTING AND RESERVE PAY MANAGEMENT

Last year the Army Reserve was examining two significant changes to the Joint Uniform Military Pay System-Reserve Components (JUMPS-RC). The Drill Attenance Reporting Test (DART) and the Consolidated Army System for Processing Entitlements to Reservists (CASPER).

After initial field tests of the concept, the decision has been made to continue and field DART as a positive means of recording drill attendance and to assimilate CASPER into a system being developed by the Assistant Comptroller of the Army for Finance and Accounting. This system will be called JACS-RC (JUMPS-Army Coding System-Reserve Component).

The concept of JACS-RC allows for input to be entered through a micro-computer terminal located at the unit. The activity will include all drill attendance data, other types of training performed for which pay and travel entitlements have accrued, certain types of pay-unique transactions and other kinds of inquiries. The information input by the unit would be transmitted to a controlling installation, electronically received, automatically controlled, edited and transmitted to the US Army Finance and Accounting Center (USAFAC). At USAFAC the redesigned military pay system will compute and pass disbursing data to the accounting records while making all disbursements for all types of duty. This system will also provide management information to the Army Reserve personnel system.

These efforts will permit more accurate management of Army Reserve appropriations and ensure accurate and timely pay of Army Reserve personnel.

EQUIPMENT

Equipment is a primary factor in the readiness equation. In peacetime Army Reserve units must have as a minimum, that level of equipment with which to train. Upon mobilization, sufficient equipment and systems must be made available to Army Reserve units in time to meet deployment schedules and perform wartime missions. Increased funding in fiscal year 1982 and fiscal year 1983 has produced substantial improvement in stock fund clothing and equipment status. These resources have been used to clothe and equip the earlier deploying units and then later deploying units. Early deploying forces will have the procurable clothing and equipment by the end of fiscal year 1983. Shortages of stock funded items still exist. However, the overall impact on unit readiness is much less severe than it would have been without the fiscal years 1982 and 1983 funding support.

Army Reserve shortages of major pieces of equipment remain significant. This equipment is not funded in Army Reserve appropriations, but is procured and provided by various Active Component procurement appropriations. The Army Reserve has on hand (by dollar value) 63 percent of its peacetime authorized equipment. Measured against wartime requirements that percentage is smaller. These shortages are reported in the unit readiness status reports. Our equipment shortages are not only tanks or infantry fighting vehicles, but also include critical support equipment items such as trucks, forklifts, test equipment and maintenance shop sets that are vital to the support and sustainment of the Total Army.

As noted the Army Reserve is dependent upon Total Army procurement for providing new equipment or reissuing displaced equipment to the Army Reserve. Congressionally dedicated funds provided for Army Reserve equipment in fiscal years 1981, 1982 and 1983 have been distributed to fill equipment shortages in high priority units such as those designated for the Central Command and early deploying units. The special $15 million appropriation received in fiscal year 1983 will also be used to purchase significant quantities of mission-essential combat service support equipment for our high priority early deploying units. Among the items purchased will be automated data processing equipment, trucks, radios, avionics, power plants and various mobile maintenance and shop facilities. However, significant shortages remain which impact on our readiness. The Army Reserve is currently short $4.5 billion worth of its wartime equipment authorization and $1.6 billion worth of equipment from its current peacetime authorization.

Total Army equipping includes the Army Reserve. It is vitally important that the Reserve Component forces are appropriately equipped in order to be able to perform their missions with and in support of the Active Component. In some cases, this will require a new generation of equipment, while in other cases, it will involve equipment displaced from the Active Component. There is considerable concern over the age and condition of Army Reserve equipment and especially fixed wing aircraft. Dependable aircraft comparable to those used by the Army National Guard and Active Component are needed. Fielding Active and Reserve forces with incompatible equipment systems compounds the support mission problems for the Total Army. Incompatible equipment systems require additional repair parts and related equipment to sustain the fighting forces needed to meet contingency plans. Such duplication seriously hinders our support capability. An example of Total Army equipping is the concurrent fielding plan for the new Decentralized Automated Service Support System (DAS3), a mobile data processing system which will provide automated support for logistics, personnel, medical, transportation, munitions, and port applications. Continued attention must be given to the equipment requirements of the Army Reserve to provide the support upon which the Total Army relies.

FACILITIES

There are 1,042 Army Reserve centers and 253 maintenance facilities owned or leased for the Army Reserve. These facilities are where Army reservists conduct much of their inactive duty training and maintain their equipment. Only 45 percent of the existing facilities are considered adequate. There are long range military construction plans that provide for replacement of inadequate facilities, expansion of existing facilities to meet space requirements and replacement by government-owned facilities of those leased or donated buildings which are either inefficient to maintain or not adequate to meet mission needs. During fiscal year 1983 five replacement centers, four maintenance facilities, improvements to two field training sites and the modernization and expansion of five existing centers will be constructed.

The budget request for fiscal year 1984 will permit the construction of seven new replacement centers and one maintenance facility and the modernization and expansion of ten existing centers. (Figure 10)

FIGURE 10.—ARMY RESERVE MILITARY CONSTRUCTION PROGRAM

FISCAL YEAR 1983 PROGRAM

New Centers: Redstone Arsenal, Alabama; Dublin, Georgia; Chicago (Arlington Heights) Illinois; Kittaning, Pennsylvania; and Richmond, Indiana.

Maintenance/Storage Facilities; Greenwood, Mississippi; Helena, Montana; Grand Prairie, Texas; and Fort Douglas, Utah.

Field Training Sites: Tooele Army Depot, Utah; and Fort McCoy, Wisconsin.

Expansion/Alteration of Existing Centers: Santa Barbara, California; New Orleans (Fleming) Louisiana; Detroit (Stroh) Michigan; Stillwater, Oklahoma; and Fort Devens, Massachusetts.

FISCAL YEAR 1984 PROGRAM

New Centers: Amityville, New York; Birmingham, Alabama; Corpus Christi, Texas; Cullman, Alabama; Crafton, West Virginia; Greenville, Mississippi; and Lock Haven, Pennsylvania.

Maintenance/Storage Facilities: Ft. Drum, New York.

Expansion/Alteration of Existing Centers: Appleton, Wisconsin; Bloomington, Indiana; Butte, Montana; Ft. DeRussy, Hawaii; Jackson, Mississippi; Oklahoma City, Oklahoma; Omaha, Nebraska; Rutland, Vermont; Traverse City, Michigan; and Waycross, Georgia.

TRAINING THE FORCE

Training is another essential factor in the readiness equation. Training is also one of the most important responsibilities of the Army Reserve leader. Effective, realistic and mission-oriented training produces units capable of performing their wartime missions. It also results in individual satisfaction leading to improved retention.

To assist leaders at all levels more effective methods of unit training such as the Battalion Training Management System (BTMS) and the Army Training and Evaluation Program (ARTEP) have been developed. BTMS is designed to train the trainers and is related directly to wartime demands. It is founded on the premise that successful training programs begin with good planning. It prepares unit leaders through workshops to plan and manage unit training assemblies more effectively. Essentially, BTMS is a step-by-step common sense approach to accomplishing the planning, preparation, conduct and evaluation of all training that takes place in the unit. BTMS has been introduced to all Army Reserve units. The ARTEP gives training managers a means for tailoring a training program to the specific requirements of the unit while assisting unit commanders with diagnostic evaluations of training. BTMS and the ARTEP are proving highly effective in the Army Reserve.

Time is also a critical resource in Army Reserve training since unit training generally takes place only one weekend a month and for two weeks during the summer. Critical training time is often lost if equipment must be shared by two or more units. More training devices and simulators are needed to offset ammunition, fuel, and travel constraints and to increase the efficiency and realism of available training space and ranges.

Travel in the Army Reserve is an essential and integral element in training. Travel to training sites away from the home Reserve center is necessary for units to receive training not otherwise available. For the IRR all active duty training requires travel to and from the training site. If an IRR member cannot travel his training is constrained. Consequently adequate travel funds must be provided.

Travel restrictions imposed in the past have had an adverse impact on training and readiness. In the past last minute changes due to the restriction have impacted adversely on both inactive duty training as well as annual training. Only three years ago, over 150 Army Reserve units (10,000 personnel) scheduled to conduct realistic hands-on training at selected sites during annual training were prevented from doing so because of travel restrictions. The effect of travel restrictions on Army Reserve training goes far beyond simple travel limitation.

Coordination of training for reservists who will be required to operate or maintain new or displaced equipment must be improved and accelerated. The Army Reserve does not have the Bradley Fighting Vehicle or the new M-1 Abrams Tank nor are there training devices in sufficient quantities on which to train reservists. Yet upon mobilization some Army Reserve units will be required to maintain both the Bradley and the M-1 tank.

The Capstone Program is an initiative with the potential to significantly improve Army Reserve training. This program aligns Reserve Component units based on the Army's world-wide wartime rquirements. It permits the development of a systematic, integrated program whereby Active Component and Reserve Component units train and plan in peacetime with the commands they will deploy and fight with in wartime. The Capstone Program has focused training on wartime missions, heightened interest, aided retention and has markedly improved Reserve Component readiness through realistic, on-site operational training and experience.

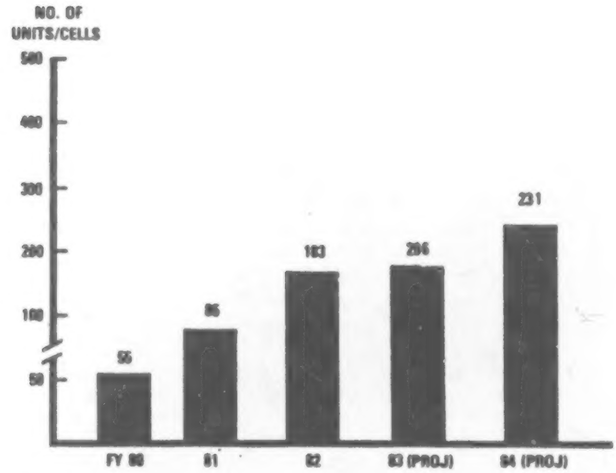
Army Reserve units and cells participate in various major training and readiness exercises side-by-side with their Active Component counterparts. This training constitutes some of the most effective mission-oriented training in which an Army Reserve unit can be engaged. In FY 82-83 Army Reserve units were included in Reforger, Logex, Gallant Eagle, and other joint readiness exercises along with the Active Army and other Services. Reforger provides for Army Reserve unit participation in a major joint exercise which deploys troops to Europe. This is an opportunity for Army Reserve units to deploy and train with Active Component units in a NATO scenario. Logex is a Headquarters, Department of the Army-sponsored, Joint Chiefs of Staff-coordinated, free-play command post exercise. Emphasis is placed on the operation of logistics headquarters and subordinate units that support tactical operations. Army Reserve participants are trained in combat, combat support and combat service support command and staff problems and become familiar with the Army Reserve's functions among the military services operating as an armed forces team. Gallant Eagle is a JCS-coordinated exercise which provides for simulated combat operations in a desert environment at the National Training Center, Ft. Irwin, California. Army Reserve units are programmed to continue their participation in this joint exercise.

These training exercises include tactical deployment to overseas locations in some cases and afford Army Reserve units realistic training in performing their wartime mission. Additionally, they provide opportunities for Army Reserve units to test their mobilization plans under realistic conditions. Of the 53 Reserve Component units scheduled to participate in Gallant Eagle 83, more than 37 were Army Reserve units. Such training activities will be expanded in fiscal year 1984.

Overseas deployment training is especially valuable in improving unit readiness and testing mobilization plans. It allows Reserve units to actually deploy and perform missions expected of them in wartime. Through this program, Active and Army Reserve units train together in their wartime chain of command. As a result, the Army Reserve commander is better able to tailor a mission-oriented, year-round training program. In fiscal year 1983 elements of 206 Army Reserve units will participate in deployment training. In fiscal year 1984 the budget supports participation by elements of 231 units in this critical training. It is expected that this will be expanded so that one-third of the Army Reserve's high priority units participate in deployment training every year. (Figure 11).

FIGURE 11

US ARMY RESERVE
OVERSEAS DEPLOYMENT TRAINING



The Affiliation Program with a peacetime orientation continues as a funded and directed program to improve the readiness of selected Army Reserve high priority combat and combat support units earmarked to support NATO. Affiliation of Army Reserve and Active Component units permits command and staff interaction between Army Reserve units and Active Component Mobile Training Teams, staging of joint Active and Army Reserve command and training exercises and Army Reserve use of Active equipment and facilities for training.

VARIABLE TRAINING PROGRAMS

The initial active duty training (IADT) for non-prior service reservists as required by Title 10, U.S.C. consists of instruction in common soldier tasks and basic technical skills. Although training is conducted by Active Component personnel, the reservists' pay, allowances, subsistence, travel and clothing for that period are paid from the Reserve appropriation.

A variety of training options is being offered to make the Army Reserve program more attractive for non-prior service enlistees. Most Army reservists choose the standard training program in which basic training is immediately followed by advanced individual training. Depending on the skill, they may be able to take advantage of one-station-unit-training which enables soldiers to complete training sooner through a common program of instruction which includes basic and advanced skills. The alternate training program, first initiated in June 1978, is unique to the Reserve Components. It was designed especially for high school and college students and seasonal workers so that they can enlist and receive basic training, go back to their school or employment, join an Army Reserve unit and then return within one year for advanced training. This has been a very successful program. It is estimated that approximately 30 percent of new enlistees will select this option. Due to the flexibility provided by these programs and the addition of a skills enlistment bonus authorized for split-training, we expect to attract an even greater number of participants.

There is also a special Reserve training program option for individuals with civilian skills that have a military equivalent—the Civilian Acquired Skills Program (CASP). This program allows advanced grade on entry into the Army Reserve and the opportunity for accelerated promotion. Over the past three years, 13 percent of new enlistees have selected this program. All recruits enlisting under CASP Program are required to complete full basic training. Increased reliance upon women requires that women entering the Army also receive the same soldier skill training as males, including weapons and tactical training to be able to properly defend themselves and their units.

TRAINING OF INDIVIDUAL READY RESERVISTS

The Individual Ready Reserve (IRR) is an essential part of the Army Reserve. For members of the IRR training means a combination of field training with Active Component units (counterpart training), attendance at Army service or U.S. Army Reserve schools, or courses of non-resident (correspondence) instruction. There is a continuing need to ensure that members of the Individual Ready Reserve receive the training required for their career development and to reinforce previously acquired skills. While fiscal year 1983 funding levels for IRR training have increased substantially, they are still inadequate to support all active duty training for IRR members who are available and require training. A concerted effort is being made to provide the necessary funding levels to enhance the mobilization preparedness of the IRR.

MOBILIZATION

Readiness requires workable mobilization plans. Upon mobilization, Army Reserve units geographically dispersed throughout the United States, Alaska, Puerto Rico and Hawaii would assemble and report to their mobilization stations, receive some augmentation of personnel and equipment, complete validation training and move to air/sea ports to embarkation. As a consequence of the lessons learned and actions resulting from the MOBEX series of exercises, the Army Reserve mobilization capability has improved. Mobilization planning is being accomplished in a more effective manner as a result of an increased number of full time Army Reserve mobilization planners at a variety of headquarters and installations. Mobilization planning in Army Reserve units is receiving increased emphasis and being enhanced by the presence of additional full time manning personnel.

Also, many studies and exercises have confirmed that automated systems resources in the Army Reserve are inadequate to support pre-mobilization planning, mobilization execution and deployment. Improvements have been made in this area but it is essential that the Army Reserve continue upgrading its automation technology to ensure the fielding of combat ready forces.

Several continuing automation initiatives highlight these improvements. The first of these is the Continental Army Management Information System (CAMIS). CAMIS will improve the timeliness and accuracy of Army Reserve personnel, training and equipment data essential for managing readiness and execution of mobilization plans. Demonstration modules of CAMIS were successfully tested during MOBEX 83 (November 82). CAMIS as a total system is scheduled to be operational in fiscal year 1985–86. The second initiative involves the distribution of state-of-the art tactical automated data processing equipment to Army Reserve units so they will be able to perform their wartime support missions. In fiscal year 1982 Reserve units received two of the Army's new Decentralized Automated Service Support Systems (DAS3), and the fiscal year 1983 budget funds an additional 25 of the total requirement of 119 DAS3s. Significantly, this new equipment is being produced and distributed to Reserve and Active units alike based on unit deployment priorities. Also, two mobile computers are being procured for Army Reserve units that are part of the Interim Theater ADP Service Centers (ITASC). All these initiatives are designed to fulfull Army Reserve automated systems requirements.

CONCLUSION

The Army Reserve is proud of accomplishments made in fiscal year 1982. Strength of the troop program units has continued to grow as the result of effective retention and successful recruiting. The monetary incentives have contributed to this growth. An essential ingredient is also the dedicated leadership of officers and noncommissioned officers throughout the entire Army Reserve chain of command whose efforts to improve training and readiness are essential for success. Improvements are also underway in the management of the Individual Ready Reserve with particular emphasis upon enlisted personnel. The fiscal year 1984 budget request of $2.1 billion builds upon these accomplishments by further improving the ability of the Army Reserve to organize, man, equip, train and mobilize in support of the Army's global strategy of deterrence, and if deterrence fails, to be able to defeat any enemy in any environment.

It is well to recall again the following statement by the Secretary of the Army and the Chief of Staff of the Army regarding the Army's Reserve Components:

"With the adoption of our Total Army policy in the early 1970s and increased global responsibilities, the contributions of the Army National Guard and the Army Reserve have become critical—possibly even decisive—because when mobilized [they] augment, reinforce, support and sustain the active force as well as expand the training and logistics bases. They are a cost-effective means of fulfilling these essential functions, and they are also an important indicator of national resolve."

ANNEX A.—BUDGET OVERVIEW

The total obligational authority (TOA) requested for fiscal year 1984 for the Reserve Personnel, Army, Operation and Maintenance, Army Reserve and Military Construction, Army Reserve appropriations is $2,102 million. This is an increase of $108 million over the fiscal year 1983 budget of $1,994 million. Of the total increase, $40 million represents price growth and $68 million real program growth.

The following table displays the fiscal year 1984 request for the Reserve Personnel, Army appropriation by major program and provides for comparison the fiscal year 1982 actual expenses and fiscal year 1983 current estimate.

RESERVE PERSONNEL, ARMY

[In thousands of dollars]

	Fiscal year—		
	1982	1983	1984
Pay group A	573,034	635,696	665,733
Pay group F	133,520	152,971	138,694
Pay group P	2,671	3,177	2,543
Pay group D	12,791	14,232	14,424
Total BA 1	722,016	806,076	821,394
Pay group D	(12,791)	(14,232)	(14,424)
School training	33,015	35,462	58,768
Special training	33,442	36,437	45,873
Mobilization training (IRR)	36,157	52,955	53,212
Administration/support	175,274	228,640	301,654
ROTC	55,203	72,454	91,044
HPSP	15,621	15,226	14,555
Total BA 2	348,712	441,174	565,106
Grand total	1,070,728	1,247,250	1,386,500

The fiscal year 1984 Reserve Personnel, Army (RPA) budget request contains $1,081 million to support the USAR Selected Reserve end strength of 272,927, an increase of 4,396 over fiscal year 1983. This includes an increase of 2,413 in full time Reserve support. The fiscal year 1984 RPA budget also contains $158 million which supports an increase of 130,145 man-days for School, Special, and Mobilization Training for unit members and members of the Individual Ready Reserve. Related to the strength posture is a modest increase in the incentive program of 1,600 participants above fiscal year 1983. Furthermore, the fiscal year 1984 ROTC Program projects an increase of 3,077 new scholarships in the Senior ROTC program and also contains sufficient resources to support 65 new Junior ROTC units. The total request for fiscal year 1984 is $1,387 million.

The following table displays the fiscal year 1984 request for the Operation and Maintenance, Army Reserve appropriation as well as the fiscal year 1984 actual costs and current fiscal year 1983 estimate.

OPERATION AND MAINTENANCE, ARMY RESERVE

[In thousands of dollars]

	Fiscal year—		
	1982	1983	1984
Training and operation of mission forces	411	438	386
Depot maintenance	8	8	9
Base communications	12	12	15
Base operations	168	169	176
Recruiting and advertising	33	40	33
Management support	34	38	44
Total	666	705	663

The fiscal year 1984 program decrease is a net result of increases for expanded testing of Continental Army Management Information System (CAMIS) (+$2.9 million), automation support due to strength increase and expansion of Individual Ready Reserve (IRR) training programs (+$2.9 million), management fee to Army and Air Force Exchange Service (AAFES) to support anticipated clothing store sales (+$1.3 million), and decreases for stock fund equipment (−$68.7 million), recruiting activities for fewer accessions and lower recruiter cost per accession (−$8.1 million), travel (−$2.6 million), and savings due to Army Reserve management restructure (−$1.9 million).

The budget request for fiscal year 1984 will support the construction of seven Reserve Centers and one maintenance facility to replace leased, donated or older buildings which are inadequate for mission needs or inefficient to maintain. Fiscal year 1984 funds will also permit the modernization of ten existing centers to meet the needs of the Army Reserve in the years ahead.

The following table displays the fiscal year 1984 request for the Military Construction, Army Reserve appropriation as well as the fiscal year 1982 and fiscal year 1983 appropriations.

MILITARY CONSTRUCTION, ARMY RESERVE

[In thousands of dollars]

	Fiscal year—		
	1982	1983	1984
Major construction	54,903	28,500	40,200
Minor construction	3,800	4,700	4,600
Planning	6,000	8,600	7,900
Total	64,703	41,800	52,700

Dr. **Korb.** Mr. Chairman, if I can comment on that last series of questions, I think the key thing we have to focus on is not structure or process but outcome. What we are all concerned with here is the readiness of the Reserve and Guard forces. No structure or process can guarantee that unless the leadership in the Department and the administration is committed to it. I think that the Secretary of the Army and the Secretary of Defense are personally committed to increasing the readiness and size of all of the Guard and Reserve units in the Department, and since coming to office have done so.

I think that is where we have to keep our focus, because you could have a perfect decisionmaking process that does not produce the desired outcome.

Senator **Jepsen**. Senator Warner has been leading the way in exploring this area of extending responsibilities of the missions and so on from the active duty to the Reserve, what effect does the mix have, and so on, and that is what we are discussing here, Senator. I will yield to you in just a few seconds here.

Senator **Warner**. There is no urgency, Mr. Chairman. I will be glad to bring some questions.

Senator **Jepsen**. I would like for the Reserve and Guard chiefs here to discuss the following statement or question. There has been much discussion in the recent weeks concerning the mix in the balance of our forces. In your opinion, can the Reserve and the Guard take on more of the missions currently performed by the Active component, and specifically, what kind of functions?

We might start with the Chief of the Guard Bureau, General Walker.

STATEMENT OF LT. GEN. EMMETT H. WALKER, JR., U.S. ARMY, CHIEF, NATIONAL GUARD BUREAU

General **Walker**. Sir, first, I want to state that I in no way can endorse the reduction of the Active Forces. In my judgment, the Active Forces are now overloaded with missions considering the limited number of spaces they have.

To specifically answer your question, can we take on more missions, I lead off by telling you that I think the Guard can accomplish any mission for which we are properly resourced. How far we can go, I am not sure, but we can accept more missions. What type missions? Mainly we in the Army Guard would prefer to stay with the combat type forces. That is what we have now; 46 percent of the combat forces of the Army, and 37 percent of the combat service support units.

We would prefer to stay with combat type forces or missions, as we have.

[The prepared statement of General Walker follows:]

Prepared Statement of Lt. Gen. Emmett H. Walker, Jr., Chief, National Guard Bureau, Fiscal Year 1984 National Guard Posture Statement

Mr. Chairman and members of the Committee, it is my pleasure to report to you on the current status of the National Guard. The Federal role of the Army and Air National Guard is described in the following sections. Before examining these activities, it is important to recognize the scope of support and assistance that the National Guard provides beyond these Federal missions.

During this past calendar year, the Guard was committed to the performance of many State missions. For example, 9573 Guard Personnel were placed on emergency duty to assist civil authorities in 450 emergency operations. Of these operations, five were in support of civil disturbance missions, 116 were natural disasters, and 329 were in various other emergency situations. These involved 68,805 mandays and took place in 49 States or territories.

Civil authorities at all levels continue to rely heavily upon the expertise and responsiveness of the Army and Air National Guard to meet emergencies throughout the country. The National Guard is willing and able to meet the challenge of timely and effectiveness response to emergency situations. The Guard is proud to provide this service and stands ready to assist wherever and whenever needed.

ARMY NATIONAL GUARD

INTRODUCTION

The Army National Guard (ARNG) is an integral element of our national defense. It is essential not only on mobilization but as a defense force-in-being. The ARNG is involved in all major defense contingency plans, including active participation in the United States Central Command, formerly known as the Rapid Deployment Joint Task Force. Of the 24 combat divisions of the Total Army, 8 are ARNG; of the 16 remaining divisions, 9 are hybrid—requiring units of the Army Guard and Reserve to reach full combat potential. The ARNG contribution includes 46 percent of the combat units and 37 percent of the support forces in the Total Army.

ORGANIZING THE GUARD

The force structure objectives for fiscal year 1984 and beyond are stabilization and modernization in consonance with Total Army requirements and resource availability. The reduction of turbulence in ARNG organizational structure and the upgrading of unit personnel and equipment authorizations to more closely parallel structure of the Active Component will improve readinesss and unit cohesion. Realignment priority will be based on deployment schedules.

The programmed consolidation of separate brigades into two new ARNG divisions is indicative of the increasing reliance upon the ARNG as a full partner in the Total Force. Commencing in fiscal year 1984, a mechanized infantry division will be organized with three existing ARNG brigades as its main ground maneuver elements followed by a light division to be formed starting in fiscal year 1985. Combat Support and Combat Service Support elements of the structure for each division will be acquired in subsequent years through a combination of new unit activations and conversions of existing ARNG units. Equipment shortfalls preclude the complete formation of either division in the near term. Every precaution will be taken to ensure that no combat power is lost while the conversion of these units take place.

MANNING THE GUARD

A vigorous program for increasing strength, concurrent with the expansion of ARNG structure, has been conducted building on the strength gains made each year since 1979. Fiscal year 1982 ended with an ARNG paid strength of 407,601, composed of 40,387 officer and 367,214 enlisted personnel. This level represents 95 percent of the ARNG authorized strength and 91 percent of the wartime requirement. These are not just gains in total strength, but also reflect improvements in the overall quality of the ARNG. The percent of high school graduate accessions rose from 63.7 percent in fiscal year 1981 to 70.3 percent this past year while the percent of category IV accessions was reduced from 13.2 percent in fiscal year 1981 to 11.8 percent—both well within the Army standards of 65 percent and 25 percent respectively.

Although the current economic environment has had its impact, in great measure, strength increases can be attributed to the return of patriotism, the full-time recruiting and retention force expansion, and the Selected Reserve Incentive Program (SRIP). The incentive program contributes to increasing total strength, filling critical skills and high priority units, and improving quality by attracting greater numbers of high school graduates and category I–II personnel. Further, it improves retention through longer service commitments.

The officer programs have also contributed in both numbers and quality to ARNG strength gains. At present, officer strength is at the highest level attained since WW II. Although state OCS remains the primary source for procurement of officers, the Reserve Officer Training Corps (ROTC) has emerged as an important alternative source. Medical officer specialties have received increased attention. The ARNG has completed fielding its full-time Army Medical Department (AMEDD) recruiting force with a resultant 3 percent increase in physician strength and a total AMEDD strength increase of 5 percent during fiscal year 1982. With selected officer medical specialties in many cases at 90 percent of authorization and physicians at only 53 percent, continued special emphasis is being placed on recruiting and retention of physicians and other shortage medical specialties.

The final major element of manning is the ARNG full-time force. Full-time support personnel accomplish the vital day-to-day missions of the ARNG providing personnel, administration, maintenance, logistical, and training operations support. The use of full-time personnel ensures that limited training time for drilling members is used in the most productive manner possible. The requirement for full-time support has increased due to strength gains, increased equipment quantities and complexity, additional force structure, and the increased readiness posture required of Army Guard units. A major portion of the effort in ensuring that the force is ready to deploy is shouldered by the full-time support force. In fiscal year 1984 full-time support requirements total 53,729 positions. With fill projected to be 41,695 individuals, the shortfall is approximately 20 percent. This shortfall is down from the 30 percent described last year.

The requirement that technicians serve in jobs compatible with the military position in which they would serve on mobilization is of paramount concern throughout the Guard. As of 31 Dec 1982, 93.5 percent of all ARNG technicians had jobs compatible with their mobilization positions. The Congressional mandate was 85 percent compatibility for 1982 and 95 percent compatibility by the end of 1983. Every effort will be made to meet and exceed the fiscal year 1983 objective.

Another concern is double slotting when a Guard member serving full-time occupies the same position as a drilling member. An example of this is a full-time training Non-Commissioned Officer (NCO) serving at company level in the same position as the drilling Guard member who is assigned as the training NCO. Direction has been given to each state to eliminate this situation in fiscal year 1983.

EQUIPPING AND SUSTAINING THE GUARD

The expansion of the ARNG force and the increases in required equipment and support elements have outpaced funding for logistics improvements. Although fiscal year 1982 was the best year the ARNG has enjoyed in terms of logistics funding, statistical readiness improvements are slow in coming. Based on dollar value, the ARNG has 65 percent of its wartime equipment; this represents a $4.7 billion shortfall based on the types of equipment currently in the ARNG inventory. A calculation for equipment required for modernized units would show a much larger shortfall. Today, on hand assets can meet only 65 percent of the wartime requirements compared with 69 percent at the end of fiscal year 1981.

Issue of equipment to the ARNG through the normal supply system included new communications equipment procured with fiscal year 1978/79 dedicated Congressional funds. In addition, Congress appropriated $50 million for the ARNG in fiscal year 1982 for procurement of Armored Vehicle Launched Bridges, 155mm Self-Propelled Howitzers, and Mortar and Command Post Carriers. Other Congressionally directed procurement included funds for tactical data processing equipment, 5-ton cargo trucks, C-12 aircraft, and Cobra helicopters. Additional appropriations within the procurement program of the Total Army provided 200 155mm Towed Howitzers for the Army Guard.

Significant gains were made in equipping ARNG roundout units concurrently with host Active Component (AC) units. Issuance of M60A3 tanks to the 48th Infantry Brigade, roundout to the 24th Infantry Division at Fort Stewart, Georgia, was completed in November 1982, making it the first and only ARNG unit to be equipped with the late model tank. This same unit also received Improved Tow Vehicles (ITV) during fiscal year 1982. During fiscal year 1983, the 252d Armored Battalion of the North Carolina Army National Guard, roundout to the 2nd Armored Division at Fort Hood, Texas, is scheduled to receive M1 Abrams Tanks and Bradley Fighting Vehicles. These equipment issues are consistent with the Department of Defense policy of equipping units which are first to fight, regardless of component, so as to ensure organizational integrity, maintenance compatibility, single generation supply support, and battlefield interoperability.

An area of major concern is the ARNG Communications Electronics (C–E) equipment status. A detailed study of the C–E capability of the ARNG was completed this past year. It identified problems of interoperability, compatibility, supportability, maintenance and training in battalions and detachments with the old family of multi-channel communication systems. Further, there are shortages of the more modern equipment throughout the ARNG. With the C–E equipment programed for the ARNG through fiscal year 1987 and with the procurement of key signal equipment with dedicated procurement funds, the ARNG will be able to decrease the impact of these problems and improve unit readiness. Procurement actions during fiscal year 1982 and planned for fiscal year 1983 will extend the Decentralized Automated Service Support System (DAS^3), a modern mini-computer, to 48 ARNG nondivisional support units.

In a related area, expansion of commercial communications services for the ARNG will continue during fiscal year 1983 and fiscal year 1984. Replacement of antiquated and inefficient telephone systems at State Headquarters remains a high priority. Upgrade of telephone systems at ten ARNG locations is planned. In addition, by January 1984, all states will have the capability to pass classified data through secure facilities and communications equipment. In conjunction with FORSCOM, planning has been initiated to provide terminals at each State Area Command (STARC) by fiscal year 1986 for access to the World Wide Military Command and Control System (WWMCCS).

The ARNG organizational clothing and equipment program posture has improved but continues as a major problem area. Procurement from the Army Stock Fund is single source for unit support items such as chemical defense equipment (CDE), medical field sets, tool and test sets, fire direction sets, cold weather clothing and equipment (CWCE), and camouflage screens. The adequacy of Stock Fund support is critical to unit mobilization and deployment readiness. Even with additional funding provided in the fiscal year 1983 appropriation, ARNG clothing and equipment shortages will total $319.4 million at the end of fiscal year 1983. The fiscal year 1984 budget indicates a negative program growth in this critical area and the backlog will grow further to over $415 million at the end of fiscal year 1984. Problems in this area are compounded by rapid cost growth and the increased sophistication of authorized items of equipment. Of special concern are chemical defense equipment shortfalls which impact on both training and mobilization readiness. The availability of this equipment will improve gradually over the next several fiscal years. Once again, priority of issue will be to early deploying units.

Depot maintenance and repair parts programs for fiscal year 1984 are barely adequate. The repair parts program also has a negative program growth reflected in the fiscal year 1984 budget. Significant shortfalls will remain due to increasing equipment density and the addition of more types of equipment in the Guard. If the support base and funding keep pace with the expansion of the Guard force and its increasing equipment density, the problem will be substantially solved by fiscal year 1989.

A special subset of logistics is the Aviation Logistics Program which has continued to demonstrate its effectiveness by providing an operational readiness rate in excess of the established DA standards. This is especially significant when the variety of different aircraft systems supported by the ARNG maintenance program is considered.

While the ARNG is scheduled to receive 171 AH-1 aircraft by the end of fiscal year 1984, 69 of these are original AH-1Gs with limited mission capability. A firm requirement exists to upgrade these aircraft and modify them to the AH-1S configuration as resources become available. This action will enhance the combat mission capability of the ARNG in a cost effective manner by reducing the procurement objectives for AH-1S aircraft. Receipt of these modern aircraft demonstrates an initial commitment to providing equipment to the ARNG as capable as that provided Active Component units. Additionally, four UH-60 Blackhawk aircraft will be received in fiscal year 1983.

Another sustaining effort is that of providing facilities for use by the Guard. The ARNG operates nearly 4900 facilities consisting of 2806 armories, 1631 logistics and maintenance facilities, 265 training sites, 89 aviation facilities and over 100 other sites and installations ranging in size from a 60-person armory in a small community to large training sites capable of handling five battalions during a single training period. Under the provisions of the United States Code, support for these facilities varies from full Federal funding of training sites to full State funding for operation and maintenance of state owned armories. The Backlog of Maintenance and Repair (BMAR) is a continuing problem, currently valued at approximately $60 million and not projected to reach the congressionally directed containment level of $15.2 million until fiscal year 1988. The backlog in construction was valued at $800 million at the end of fiscal year 1982 and is expected to grow slightly during fiscal year 1983 principally due to increased facilities requirements. Costs have stabilized and in some areas declined slightly, which should result in a slower increase in the construction backlog. Funding for construction during fiscal year 1983 and fiscal year 1984 will provide approximately 94 new or substantially improved facilities for the ARNG. It is anticipated that authorization will be sought to finance five additional projects from savings accrued from executing the fiscal year 1983 construction program.

TRAINING THE GUARD

The ARNG training program responds to the education, training, and training support needs of the growing ARNG force. The training program is key to realizing the full potential of increasing strength and force structure and mission changes. Military education of ARNG personnel provides a means for the individual to acquire new professional skills, enhance existing skills, and to be prepared to accept greater responsibilities in more complex job assignment. In fiscal year 1983, military education of the ARNG continued the growth of past years with increased participation by officer and enlisted personnel in Active Army service schools, DOD schools, Army Area schools, USAR schools, and unit schools. Attendance will increase for this type of training in fiscal years 1983 and 1984.

The ARNG Undergraduate Pilot Training (UPT) quotas increased from 140 in fiscal year 1982 to 224 students in fiscal year 1983 and to 250 in fiscal year 1985. The Eastern ARNG Aviation Training Site (EAATS) located at Ft. Indiantown Gap, Pennsylvania, is now conducting a variety of aviation courses ranging from refresher to graduate pilot training. EAATS is expected to expand in the future to fill the need for aviation training not available at Ft. Rucker, Alabama. To enhance pilot tactical training in the States, the U.S. Army Aviation Center (USAAVNC) is now conducting a special Night Hawk/Night Vision Goggles methods of instruction course for ARNG Instructor Pilots (IP). Development of this IP cadre is essential to meet Aircrew Training Program premobilization objectives of a total day and night combat and combat support capabiltiy.

Other special education actions include the introduction of the Continuing Medical Education (CME) program in the ARNG. The number of students, doctors, nurses, and professional personnel involved in this program has increased from 11 in fiscal year 1978 to 459 in fiscal year 1982. Approximately 575 are projected to participate in fiscal year 1983. This program is a major contributor to the recruitment and retention of medical personnel

The National Guard Bureau will continue three courses of instruction recently initiated. The Company Level Pre-command Course (CLPC) (formerly the Unit Size Company Commanders Course); the Teach, Advise, and Counsel (TAC) Officer Training Program; and the Direct Appointment Orientation Course at the National Guard Professional Education Center (PEC) at North Little Rock, Arkansas. The Company Level Pre-command Course is designed to develop managerial and leadership skills and techniques essential to successfully commanding a company-size unit. The TAC Officer Training Program ensures standardization of leadership development at the ARNG State officer candidate schools. The Direct Appointment Orientation Course is for officers and warrant officers who have received a direct appointment in the ARNG and provides a basic orientation on their role in the service and on the concepts underlying the operation of Army.

In addition to school training, the ARNG has and will continue to expand special training to increase the proficiency and readiness of ARNG units and individuals. Special training scheduled in fiscal year 1984 builds on the fiscal year 1983 program to include major efforts such as Active Component/Resere Component Partnership, Affiliation, Joint Training Exercises, Key Personnel Upgrade Program, and CAPSTONE. The training opportunities provided the ARNG in training with AC units in the Partnership and Affiliation Programs have, since inception in 1974, continued to improve the readiness of ARNG units. The program provide a "go to war" relationship for ARNG units and the AC counterparts, raise the combat power of the AC, and improve the operational readiness of selected ARNG units. Currently, the ARNG participation in these programs consists of 36 major combat units, 44 separate battalions, and 72 companies and detachments. During fiscal year 1984 the Army will continue to expand the number of ARNG units that will participate in these programs.

ARNG participation in Joint Training Exercises (JTX) provides units with training opportunities that are not normally available in the yearly training program. During fiscal year 1982, the 40th infantry Division, California ARNG provided opposing forces for the 82d Airborne Division in Gallant Eagle 82. In fiscal year 1983, the ARNG will deploy a complete armor battalion to Europe, where they will draw POMCUS and participate in REFORGER 83. Additionally, a mechanized infantry battalion will deploy with its equipment to Europe and participate in exercise Display Determination 83.

A program specifically addressed by the 97th Congress which provides individual, rather than unit training opportunities, is the Key Personnel Upgrade Program (KPUP). KPUP provides the opportunity for selected ARNG officers and NCSs from high priority and combat units to train with an AC counterpart in tactical environments for the purpose of improving the individual's military skills and the combat readiness of his unit. This program, initiated in fiscal year 1981 with 200 personnel, will expand to train approximately 9,500 personnel in fiscal year 1983. Programming actions include $10.8 million for KPUP in fiscal year 1984 as well as funding for headquarters staff training and travel funds for environmental training and 3-

week annual training for participation in joint readiness exercises. These initiatives will provide additional training time for high priority units.

The Department of the Army has developed procedures which officially establish a direct link between all Army units and their wartime chain of command. This initiative, the Army CAPSTONE program, is designed to improve wartime planning and preparation through the organization and training of forces designed to meet a particular contingency mission. Under CAPSTONE, the wartime chain of command and probable wartime mission and area of deployment are designated for each unit. This realistic deployment training is the most effective way to fully expose Guard units to their NATO mission during a 2-week training period. The objective of providing Guard soldiers realistic, mission-oriented training, performed in the geographic area of probable employment with AC units, is achieved. Further, the success attained by ARNG units in responding to mission requirements immediately upon arrival in an overseas area is a vivid example to the AC gaining commands and to NATO allies of the operational effectiveness of ARNG units. This program provides opportunities for exercising assembly, movement, deployment, and employment. This is the Total Army in action. In coordination with the AC, the ARNG had developed a 5-year schedule for participation of units in overseas deployment training.

Realistic field training is an essential element of the overall training program. Development of high quality training sites, described earlier under sustaining, is one element; the other is provision of training ammunition. In order to most effectively manage these limited resources, the Army Guard designed and fielded this past year an automated system for the management of training ammunition that provides state and field managers with an accurate and responsive management tool as well as providing NGB and DA managers with reliable use data. The result is that management decisions at all levels are being made from a sounder base and manager productivity has been improved significantly.

A new and innovative approach to training is the utilization of simulators and training devices such as the Multiple Integrated Laser Engagement System (MILES) that provides lessons in training that could only be learned in the first battle of the next war. Unfortunately, resources do not currently exist within Army procurement accounts to purchase MILES for the ARNG in fiscal year 1983 or fiscal year 1984.

Safety in training is emphasized throughout the ARNG training program. Since the end of fiscal year 1977, the ARNG motor vehicle accident rate has declined from 9.9 to 4.6 accidents per million miles driven while the overall accident rate for all types of risks, other than aviation, has declined approximately 27 percent. Accurate identification of cause factors, cost effective safety programs, and intensive management by the ARNG safety community are seen as keys to this achievement. Aviation safety accomplishments in fiscal year 1982 were particularly outstanding. ARNG aviation recorded a rate of 1.01 accidents per 100,000 flying hours, the best safety record in the history of the ARNG aviation program. This compares very favorably to the fiscal year 1981 rate of 2.88 accidents per 100,000 flying hours. An innovative method of targeting adverse safety trends with special emphasis programs is identified as the main contributor to the downward rate. During fiscal year 1983, efforts to improve the record will be centered on aviation emergency procedure training, a need that has surfaced through accident data analysis, as an area of concern.

READYING/MOBILIZING THE GUARD

The Army National Guard (ARNG) for the second consecutive year has attained and maintained its highest combat readiness ever. In addition, it has increased its number of units by 50 percent in both the Rapid Deployment Force (RDF) and the Intensive Management Force (IMF). Commensurate with the increase in the number of ARNG high priority units, mobilization preparedness has increased. Reorganization of State headquarters into State Area Commands (STARC) as mobilization entities gives the ARNG the capability to mobilize rapidly.

The ARNG conducts mobilization exercises to evaluate the ability of units to meet their deployment objectives. Evaluations were conducted for 46 percent of the units selected for Overseas Deployment Training (ODT) in fiscal year 1982. The goal for fiscal year 1984 is to evaluate all of the units selected for ODT. One hundred thirteen mobilization evaluations were conducted of IMF units in fiscal year 1982. In fiscal year 1984 and the out years, the goal is to annually evaluate one third of the early deploying IMF units, approximately 175 per year. Since the initiation of this program in 1979, evaluated ARNG units have shown steady improvement in their ability to meet deployment objectives. Demonstration of this improvement was documented in the biennial JCS mobilization exercise, Proud Saber/Mobex 83, recently completed. Seventy-seven percent of all ARNG units participated, as well as 53 STARCS and 53 Mobilization Stations, to include 8 State Operated sites.

A specific example of the ARNG's mobilization deployment capabilities was demonstrated in early fiscal year 1983 during a surge exercise at Anniston Army Depot. This exercise was part of MOBEX 82 and its purpose was twofold. The first was to test the capability of the depot to respond to surge requirements and to determine the problems caused by increased production. The second purpose was to test the "Quick Fix" concept of rapidly increasing depot capability immediately following mobilization by increasing the overhaul of conversion of main battle tank engines from a normal production of 3.2 engines each day to 9.6 each day. Two ARNG units, designated as "Quick Fix" units, participated with depot personnel. The exercise was a success as 155 engines were overhauled or converted. The anticipated learning curve for the Guardsmen did not materialize as the goal of a 200 percent increase in normal production was exceeded from the first day. Since the supply of unserviceable assets was exhausted, the exercise was terminated a day early when 135 percent of the production goal and aover 400 percent of normal production had been achieved mobilization. Participation in the mobilization exercise program has grown from 72 exercises with a budget of $4.7 million in fiscal year 1981 to a planned level of over 300 exercises and a budget of $9.5 million in fiscal year 1984. Significant improvements in mobilization preparedness have resulted for

CONCLUSION

The Army National Guard continues to play a central role in the national defense. This report has provided a description of the various programs designed to prepare the Guard for its part in the overall effort. In order for us to maintain the momentum developed in recent years, proper resourcing is essential. The willingness of the citizen soldier to leave family and community in response to service requirements is a matter of record. It is essential that these patriotic individuals receive the support they need and deserve.

AIR NATIONAL GUARD

INTRODUCTION

The Air Guard is at its highest readiness level in history and has attained a new high manning with over 100,000 men and women, military and military technician, deeply committed to performance of both a State and Federal mission.

The State mission of the Air National Guard is to provide organized, trained, and equipped units to respond to orders of State authorities, to protect life and property, and preserve peace, order, and public safety. During fiscal year 1982, the Air National Guard was called upon 27 times to perform state duty for approximately 1,700 workdays. These missions involved support of medical evacuations, snow emergencies, floods, explosive ordnance disposal, drug enforcement operations, icestorms, and fires. In addition, the Air Guard was called up 56 times to support the National Search and Rescue Service involving 660 workdays and resulting in 30 saves/rescues.

The Air National Guard's Federal mission, as part of the total Air Force, is to provide units of properly equipped and trained personnel for prompt mobilization whenever called upon in time of crisis. Our units also perform designated Air Force missions during peacetime, primarily as a by-product of training.

The Air Guard is manned and ready to carry out this dual mission. It is our belief that strength through readiness is the key to success.

The readines of our flying units continues to remain high despite increased tasking and conversions to new and more complex weapon systems. Military manning was 100,650 at the end of fiscal year 1982 and is projected to be almost 101,800 by the end of fiscal year 1983 and approximately 104,100 by the end of fiscal year 1984. The Air Guard flys more than 1,670 aircraft in a variety of demanding missions ranging from Air Defense and Tactical Figher and Airlift to Strategic Air Refueling and Rescue and Recovery. We participate as full partners with the active Air Force and the Air Force Reserve in carrying out these missions assigned by our civilian leadership.

In 1982 the Air Guard achieved its second lowest Category A aircraft accident rate in history with a rate of 1.9 accidents per 100,000 hours of flying after achieving a 1.7 rate in 1981. Of special note, the tactical fighter aircraft had no pilot caused accidents in the low altitude environment (i.e., high speed below 500 feet).

Prevention of accidents requires a positive, professional attitude, and dedication to effective mission training. Our people have both.

In summary the Air Guard is proud of its combat readiness, manning accomplishments, humanitarian assistance, and significant role in today's total Air Force.

FLYING UNITS

Air National Guard flying units are organized into 24 wings, 67 groups, and 91 flying squadrons. The continued strong support of the active Air Force is permitting us to replace older, less capable aircraft with more modern and sophisticated weapon systems.

In the first quarter of fiscal year 1983, the Guard established an F-4 Air Defense training facility at Kingsley Field, Oregon, and transitioned one 0-2A unit to F-4C's. In the second quarter, the Air National Guard completed the retirement of the F-105's converting the last unit to F-4D's. In July, the Air National Guard will receive its first multi-mission F-16's. The F-16 is an exceptional aircraft with a superior technological capability. Its introductin into the Air National Guard is another step forward in the continuing efforts to upgrade mission capability and achieve a general compatibility between active Air Force and Air National Guard aircraft types. The A-7's displaced from the unit converting to F-16's will be used to increase the unit equipage of other Air National Guard A-7 units.

Additionally, in the fourth quarter of fiscal year 1983 an RF-4C unit will convert to F-4D's and another RF-4C unit will increase unit equipage concurrent with the establishment of a Replacement Training Unit (RTU) for ANG reconnaissance assets.

By the end of fiscal year 1983, six of the thirteen Air National Guard KC-130 units will be equipped with the JT-3D reengined tankers. An additional unit will be retrofitted by the end of the first quarter of fiscal year 1984.

In fiscal year 1984, the ANG will continue modernization efforts in most major mission areas. Two Air Defense units will convert from F-106's to F-4D's, initiating the retirement of F-106 interceptors from the Air National Guard. The ANG F-4 interceptor training school and the F-4 tactical fighter RTU will be further expanded. Two tactical fighter unit (F-16 and F-4) will receive additional aircraft, expanding to 24 primary aircraft authorized. One tactical airlift squadron will convert from C-135E's to C-130H's and the C-130E's will be transferred to the Air Force Reserve to complete the retirement of their C-7 aircraft.

As a result of modernizatin efforts, Air National Guard flying units continue to make a substantial contribution to the total air force combat capability and will fulfill a large portion of force commitment during any future, serious crisis. In fiscal year 1984, the Air National Guard will possess 65 percent of the total Air Force Air Defense Interceptor forces; 53 percent of Tactical Reconnaissance forces; 32 percent of Tactical Airlift forces; 26 percent of Tactical Figher forces; 17 percent of Aerial Refueling forces; 14 percent of Rescue and Recovery forces; 19 percent of Electronic Combat forces; and 32 percent of Tactical Air Support forces. In addition, 15 Air Guard flying units are tasked in Central Command's (CENTCOM) plans. CENTCOM was formely called the Rapid Deployment Joint Task Force (RDKTF).

The continued emphasis on modernization and readiness has resulted in adjustment of the organization precedence ratings for all Air National Guard units to equal levels with comparable Air Force units. This action places the Air National Guard on an equal footing in the DOD logistics system with its active counterparts in consonance with Department of Defense policies.

In spite of continued support in aircraft modernization, the Air National Guard will continue to employ an aging aircraft fleet. At the end of fiscal year 1984, almost two-thirds or our aircraft will be over 15 years old with 23 percent over 20 years of age. As a result of our aircraft conversions, we also are experiencing a shortage of aircraft ground support equipment. Filling that shortage and completing mission improvement modifications to our tactical fighter and strategic refueling aircraft are our most pressing needs in the near term.

NON-FLYING UNITS

Equally important to the success of the Air National Guard mission are our non-flying units. There are 240 independent units heavily concentrated in the areas of combat communications, weather, tactical control, engineering installation, civil engineering, and air base defense.

The combat communications units are equipped and staffed to support the Tactical Air Forces. They provide specific communications service to forward deployed commanders and provide restoral service to the Defense Communications System.

They are also equipped to provide terminal air traffic control facilities and services. As of the end of fiscal year 1982 five combat communications units are tasked in CENTCOM plans with ten more being designated in fiscal year 1983. In the past three years, our combat communications units have deployed approximately 1,400 personnel to Europe and Korea in support of major exercises.

The Air National Guard has 39 weather flights most of which provide weather support to Army Guard and Reserve units. We do have one weather flight tasked to support the Air Force Tactical Weather System. Weather units train with the Army units which they are tasked to support.

Our tactical control units operate control and reporting centers and posts in addition to providing forward air control posts. All units have wartime taskings and quick response deployment schedules. Most of these units now possess the TPS-43E Radar. The remaining units will receive this new radar in fiscal year 1983. Tactical control units train at their home stations by controlling Active and Air National Guard fighter aircraft and by system-wide simulated exercises. As with combat communications, these units also play a major role in JCS exercises. Most noteworthy was the deployment of a full squadron of personnel to Southern Italy in support of a USAFE/NATO exercise. This was the first deployment of its kind of a CONUS-based ANG tactical control unit to Europe. The exercise was an outstanding success and will become an annual event. Further, the two new Air Support Radar Teams added in fiscal year 1982 will be operational in fiscal year 1983. Each unit is equipped with new TPB-1C tactical radars.

Our Engineering Installation Squadrons (EIS) are equipped and trained to engineer, install, relocate, remove, restore and accomplish on-site depot level maintenance on radars, antennas, cable plants, radios, and teletype and communications centers. They maintain proficiency by augmenting the Air Force on Communications-Electronics-Meteorological (CEM) facility requirements worldwide. Two Air Guard EI units deployed to Europe in August 1982 and performed successfully under simulated wartime conditions.

The ANG Medical Service supports our 91 flying units and readiness requirements of the AF Medical Service. Additionally, there are nine aeromedical evacuation units. The medical units have manpower packages ranging from 26 to 50 personnel depending on the size of the flying unit supported. The aeromedical evacuation units are programmed to support HQ MAC during tactical aeromedical evacuation scenarios. There are seven flights consisting of twelve crews each and two squadrons consisting of 25 crews each. As of 31 December 1982, the total personnel in the ANG Medical Service was 4,384 in all medical specialties. Fiscal years 1983 to 1987 will see growth in additional aerovac crews.

Air National Guard Civil Engineering Red Horse and Prime Beef units have conducted deployments to active Air Force bases, Air National Guard bases, and Army National Guard posts for annual training including specialized training in Rapid Runway Repair. The construction, alteration, and repair projects undertaken by these forces not only helps them hone their skills for their wartime mission but also greatly assists the host base in completing urgently needed projects.

Like their flying unit counterparts, our non-flying units contribute heavily to total Air Force combat capability. In fiscal year 1984, the Air National Guard will possess 70 percent of the Air Force combat communications forces, 55 percent of the tactical control forces, 55 percent of the engineering installation forces, and 12 percent of the weather reporting and forecasting forces.

Some progress is being made in providing modern state-of-the-art equipment to our non-flying units. As with our flying units, filling of equipment shortfalls and replacement of aging equipment is a major goal in the near term.

REALISTIC TRAINING

I have discussed some of the contributions the Air National Guard makes to the Air Force as a by-product of training. This realistic training is best embodied through our participation as full partners with other components in JCS and USAF training exercises. Our overseas deployments have increased from four in fiscal year 1980 to seven in fiscal year 1983. The Air National Guard goal of eight deployments will be reached in fiscal year 1984. These deployments temporarily move entire flying units to theater locations along with ground support personnel, as well as civil engineering, tactical control, and communication units, and furnish the Guard with realistic and valuable training.

To illustrate the Air National Guard's global readiness and the realistic training received, we recently deployed F-4's to Iceland, England, and Norway; A-10's to Turkey; and A-7's to Portugal. We also have two KC-135 tankers on constant tasking with the European Tanker Task Force in England. In the Southern Command region, the Air Guard maintains four A-7's on station at all times in defense of the Panama Canal, maintains two Aircraft Control and Warning Radars in defense of Puerto Rico, and supports airlift requirements throughout Central And South America with six C-130 aircraft. The Air National Guard also supports the Army in exercises throughout the world. Joint training programs, such as the National Training Center at Fort Irwin, California, provide joint training experience for both the Army and the Air National Guard.

In Alaska, our RF-4's have provided photo support for exercises, and Air Guard tankers have supported the Alaskan Tanker Task Force. In other areas ANG RF-4's have supported the Peacetime Area Reconnaissance Program (PARPRO).

In the Pacific, our F-4's from Hawaii have participated in Pacific Air Forces' Red Flag have fired missiles at Combat Sage, and will participate in Team Spirit 83 in Korea. Two Aircraft Control and Warning Radar Squadrons provide 24 hour per day air defense surveillance of Hawaii. In addition, we had more than three hundred combat communications and one hundred tactical air control personnel supporting JCS Exercise Team Spirit 82 in Korea. Air Guard KC-135 units support the Strategic Air Command Pacific Tanker Task Force in Guam and Cope Thunder in the Philippines.

Such a high degree of operational readiness demonstrates that the Air National Guard, when equipped with modern aircraft and equipment, is a full Total Force partner in the front-line of our defense forces.

I am proud to report to this committee that combat readiness and capability to perform the wartime mission of the Air National Guard was again successfully demonstrated in 1982 by Air National Guard units during Air Force Operational Readiness Inspections (ORI's). These inspections were conducted under realistic wartime scenarios, and the majority of Air National Guard units received these inspections while at deployed locations. This deployed concept is expanding to include C-130 and tactical control units. Since the inception of the realistic scenario in 1976, covering every aspect of the wartime mission, Air National Guard units have materially enhanced their capability and readiness.

MANPOWER

The Air National Guard achieved an end strength of 100,657 in fiscal year 1982. This is the highest strength level ever achieved by the Air National Guard, and it exceeded the fiscal year 1982 budgeted strength by 557 personnel.

The Air Guard's fiscal year 1983 program is 97,223 drill strength and 4,558 full-time active duty Guardmen for a total end strength of 101,781 and an average strength of 101,500. In fiscal year 1984, we have programmed 89,189 drill strength and 5,915 full-time active duty Guardman for a total end strength of 104,104 and an average strength of 103,400. This strength level supports approximately 99 percent of the Air Guard's projected wartime requirement.

While the Air Guard's fiscal year 1982 strength was above the programmed levels, many critical skills remain below acceptable levels. We are still experiencing difficulty in securing non-prior and prior service personnel in certain career fields such as munitions, security, avionic sensor systems, and ground communications-electronics maintenance. We fully expect to achieve our strength goals through fiscal year 1984 and anticipate improved manning in the critical skill areas.

The Air Guard's recruiting program is currently structured toward precision recruiting (recruiting for critical skills or valid Unit Manning Document vacancies only). The overall responsibility for recruiting lies with the respective State or territory. Along with precision recruiting, the Air Guard is placing special command emphasis on recruiting rated officers, medical officers, minorities, and women. Renewed emphasis is being placed on the Palace Front program. This program allows the Air National Guard to identify prior service Air Force personnel separating from the Active Air Force. The special emphasis on these programs will aid our recruiters in finding qualified individuals from all backgrounds to fill existing critical skill vacancies.

Major efforts in initial and critical skill acquisitions are continued in our effort to maintain ANG combat readiness. the conversion of ANG units to increasingly modern aircraft has resulted in hard-to-fill skills which require longer technical training periods. Through continued congressional support, funding has been provided to support the retraining of on-board, experienced ANG personnel as well as retraining of prior-service personnel into critically needed skills so that ANG units are able to meet increased/changing mission requirements.

The Air National Guard full-time manpower program consists of a mix of military technicians and military duty (AGR) personnel that is predominately military technician. This combined work force is the catalyst of success in meeting the responsibilities and missions assigned to the ANG. Under the Total Force policy, readiness and response capability are completely dependent on availability of these personnel.

In fiscal year 1982, the Air National Guard slightlyi exceeded its combined military technician and military duty (AGR) end strengths. We expect to fully meet our fiscal year 1983 end strength programs, which are approximately 1,200 greater than fiscal year 1982.

As a result of Congressional guidance to establish a floor for military technicians in the Reserve components, our military technicians will remain constant through fiscal year 1984. However, we have 1,357 additional AGR personnel programmed for fiscal year 1984 to fill increased requirements associated with aircraft, equipment, and other support requirements of the ANG.

We will continue to evaluate our future manpower needs and we will request a mix of personnel, either military technician or AGR, on the basis of cost effectiveness and combat readiness.

SUMMARY

The Air National Guard has proven to be an integral part of the Total Force. The Air Guard exists to support U.S. foreign policy and national security objectives, and it provides a State milita uniquely qualified for local disaster and public safety missions. Our responsibilities are truly global, national, and local, and each offers its own set of challenges for the future.

The Air National Guared is ready to meet these challenges. The capability of our citizen airmen to respond to the most demanding wartime missions is a matter of record. We appreciate the continuing strong support of the Congress. That support has permitted the Air National Guard to contiune modernization and to make significant progress toward our goal of strength through readiness.

Mr. Chairman, this concludes my prepared statement. I will be happy to respond to any questions you may have.

General **Berkman**. Senator, with respect to the Army Reserve, I would just like to comment that currently the approximate size of the end strength of the troop program units is about 242,000. That should be compared with a wartime required strength of that current structure of about 300,000, so currently we are 50,000, approximately, short of the wartime required strength.

The Army Reserve has a high precentage of combat service support and combat support units, and I have a concern about making sure that the current structure achieves its readiness requirements, and the personnel as a part of that equation, together with training and equipment.

But currently, the structure has significant shortages in end strength.

Senator **Jepsen**. What I hear you saying is, you best get up to speed with the present requirements before you start looking for additional responsibilities.

General **Berkman**. That is a present concern. With respect to additional strtuctures in the combat service support area, I think again that is a function of providing the support, the resources for the personnel, the training, the equipment required, the facilities required, and I join with General Walker, the Chief of National Guard Bureau, in his comments.

Senator **Jepsen**. Admiral Dunn, both the Navy and the Air Force have seemingly much more Reserve participation than the Army, but would you care to comment on the question of taking on more missions than are currently performed by your active component?

STATEMENT OF REAR ADM. R. F. DUNN, U.S. NAVY, DIRECTOR, NAVAL RESERVE

Admiral DUNN. We have a circumstance similar to that mentioned by General Berkman, in that we are now short of the total personnel necessary to fulfill our wartime commitments. We calculate we need 234,000 Selected Reservists to meet those commitments. We now have 94,000 on board, and are moving toward that figure of 124,000 at a measured pace.

Beyond that 124,000, I have some question as to attainability, that is, our ability to recruit more for the Selected Reserve, without appropriate incentives, et cetera. We do now contribute significantly to the active forces in terms of things we do during our mobilization training, logistic air lift, mobile in-shore undersea warfare, in-shore intelligence, and so forth. If we were to take on new missions, I think we would have to make a choice as to whether we give up something we are already doing or pay more to get more people to do those additional things.

[The prepared statement of Admiral Dunn follows:]

PREPARED STATEMENT OF REAR ADM. ROBERT F. DUNN, U.S. NAVY, DIRECTOR OF NAVAL RESERVE

Mr. Chairman and Members of the Committee: It is my pleasure to appear before you today to outline the current status of the Naval Reserve and present our program for Fiscal Year 1984.

This is my first opportunity to appear before this committee since assuming the dual responsibilities of Director and Chief of Naval Reserve last October. These past several months have been both rewarding and instructive. I have had the opportunity to visit most of my major subordinate commands and talk with many individual Reservists. I am pleased to report that I have been impressed with the capabilities, vitality and enthusiasm of our citizen sailors.

THE NAVAL RESERVE MISSION

The Naval Reserve is an integral part of the Navy's structure and is essential to the successful completion of the Naval mission. As Admiral Watkins has indicated, our maritime strategy is dependent upon readiness, sustainability and modernization for successful completion of our mission. This is a forward strategy depending upon the forward deployed and highly mobile Navy/Marine Corps team which must be prepared to fight at any level of hostilities up to and including total war. In addition, we must be capable of performing this mission in any area of the globe.

Other Naval officials have outlined the goal of a 600 ship, 15 battle group Navy to achieve the capability necessary for the success of its maritime strategy. The Navy Reserve is improving its readiness and sustainability, and is modernizing its ships and aircraft to be a more effective part of this strategy. The Naval Reserve mission is stated simply: to be trained and ready for mobilization, ready to be a part of the Navy that wins the war at sea.

TODAY'S NAVAL RESERVE

I am pleased to report that the Naval Reserve is currently capable and improving. We continue to improve our readiness and capabilities through increased Selected Reserve strength, an improved match of the skills of individual members and their mobilization billet requirements, modernization of equipment, and improved training. These gains have resulted in a parallel improvement in the support we provide to active Navy units as a by-product of mobilization training—our Mutual Support program.

SELECTED RESERVE STRENGTH

One of the most encouraging signs of improvement in the Naval Reserve is our personnel strength. Our total authorized strength for Fiscal Year 1982 was 87,600, but the Appropriations Bill included funds for and a challenge to grow to 94,000 by the end of the fiscal year. The Naval Reserve met that challenge and reached a strength by the end of September of 93,719, including 1,072 on Initial Active Duty Training, and continued the growth trend to a level of over 96,500 at the end of January.

Unfortunately, even this good news is not without a challenge. The authorized and funded level of our drilling Reservists for Fiscal Year 1983 remains essentially flat at approximately 94,000. Therefore, I have found it necessary to direct a reduction in strength of almost four percent from our January high in order to remain within the funds available. This will ensure that the remaining members of the Selected Reserve receive their essential training, that is, two weeks of Annual Active Duty Training and monthly Inactive Duty Training. The combination of a release of personnel who were not performing to standards and the temporary transfer of a limited number to the Individual Ready Reserve until the end of the fiscal year will be enough to permit us to remain within the funding level appropriated.

IMPROVED MATCH OF SELECTED RESERVISTS

We have instituted positive management actions to improve the match of skills of individual Selected Reservists and their mobilization billet requirements. In Fiscal Year 1982 we implemented the Naval Reserve Recruiting and Manning Objectives System (NARVES RAMOS) which is designed to match accessions with Selected Reserve mobilization requirements, thereby improving the quality of manning the Selected Reserve. This system prohibits accessions in severely overmanned ratings and provides the highest incentives to recruiters for ratings which are most severely undermanned. We are also encouraging the cross training of personnel, who are in skill areas which are full relative to requirements, to areas of relative shortage. This system is working. The overall trend of the Selected Reserve in matching skills to mobilization requirements is moving toward our goal of a complete match of skills and billets.

IMPROVED TRAINING

Providing the required mobilization training to members of the Naval Reserve is a constant challenge. It is particularly difficult during times of personnel strength increases, and evolving force structure, and upgrading of equipment. However, we are making real progress.

We are continuing to emphasize training with the active Navy gaining command to which the unit or individual will mobilize, or at an appropriate active force site. We are providing additional funds for the Weekend Away Training (WET) program that makes much of this most productive training possible.

We are also expanding the use of simulators, particularly in the training of our ship reinforcement units.

READINESS IMPROVEMENTS

There has been approximately a twenty-percent improvement in readiness of our aircraft squadrons largely as the result of increased Standard Depot Level Maintenance (SDLM) completions last fiscal year. The improved aircraft material condition provided for additional training and qualification of key aircrew personnel which resulted in improved personnel readiness.

Another major indicator of our aircraft readiness is our accident rate. We are very proud of the professionalism demonstrated when the Naval Reserve achieved a zero accident rate for Fiscal Year 1982 while flying almost 162,000 hours. I can think of no better readiness indicator.

The readiness status of the ships assigned to the Naval Reserve Force remained relatively stable last year. We did have some for readiness degradation due to the shortage of Selected Reserve personnel. We are working on incentive packages to focus on this difficult manning problem. The Selected Reserve crew members of our ships are in particularly demanding positions. They routinely invest more time (under conditions which are measurably more arduous) than their contemporaries who train at shore activities in the same geographic area.

The readiness of our reinforcing and sustaining units which augment active force units continues to improve. Although the manning of these units has remained relatively stable at about seventy-seven percent, there has been steady improvement in the number of those assigned who are fully qualified. In fact, there was more than a twenty-percent improvement in this area during the last six months of 1982.

MUTUAL SUPPORT

The Mutual Support program provides direct assistance to the Navy in the performance of its peacetime mission as a by-product of mobilization training. We are continuing to emphasize this program because of its high efficiency. It also benefits the Navy in the form of real work performed and the Reservists in the form of realistic training and the satisfaction of participating in day-to-day Naval functions. Some examples of our efforts in this area during Fiscal Year 1982 are:

Reserve Transport (VR) squadrons furnished the entire CONUS fleet logistics support effort and also augmented Mediterranean activities, including the Lebanon Multinational Contingency Force.

Reserve attack and fighter squadrons provided friendly and opposition forces for war-at-sea, fleet air defense, and air-to-air warfare exercises for workup training of deploying battle groups.

Reserve VC squadrons provided target and Dissimilar Air Combat Training (DACT) services to fleet units, and aggressor aircraft in fleet exercises.

13 Reserve VP Squadrons provided aircrews and aircraft for 48 weeks at Bermuda, Lajes, Rota and Cubi Point to supplement fleet VP operations.

Naval Reserve Force (NRF) ships and Special Boat Units are fully integrated into fleet exercises and underway training schedules. They also provided assets for special evolutions, such as the Surface Warfare Officers School ship and the annual Great Lakes Cruise.

SIMA/YR Reserve units provided over 71,000 man-days in direct support to ship overhaul and rework projects at the intermediate maintenance level activities.

Supply Systems Command units completed projects in stock control, warehousing, traffic management, stock purification, materials indentification, and other areas covering the entire spectrum of the Naval Supply Systems Command's tasks and responsibilities.

Reserve intelligence units accomplished 30–40 percent of the production for Atlantic and Pacific Fleet Intelligence Centers. Units also stood watches on a regular basis, including CNO and Fleet Commanders-in-Chief Intellignece Plots.

Reserve Seabees provided direct support at various active force locations, including Rota, Spain; Guantanamo Bay, Cuba; and Guam.

Cargo Handling Battalions assisted active commands in movement of cargo for storage and load out of deploying units.

During the past year we have also provided direct assistance to the Coast Guard and the Customs Service through participation in the South Florida Drug Interdiction Task Force. As early as April 1982 our E–2B aircraft began flying missions which totalled more than 300 hours last year. Starting last November, our P–3 aircraft logged over 250 hours on station, searching for and passing suspect contacts to Coast Guard prosecuting units. We are currently responsible for seven of the seventeen days per month the Navy provides in E–2 aircraft support. Our P–3 aircraft continue to fly missions from bases in the Southeast in conjunction with training and provided approximately 75 hours of assistance during the first two months of this year.

FISCAL YEAR 1984

Our program for fiscal year 1984 reflects support for an evolving and improving Naval Reserve. We plan to increase the numbers of Reservists to match more closely our requirements, we will improve the frequency of quality training and we will take additional steps in our program to improve our capabilities through modernization of our equipment. These requested improvements will better enable the Naval Reserve to become a more effective part of the Navy's total force.

RESERVE PERSONNEL STRENGTH

The average paid drill strength requested for fiscal year 1984 is 96,046. This is a major step in our phased growth to meet our Selected Reserve requirements, as validated by the Navy Manpower Mobilization System (NAMMOS), by the end of fiscal year 1987. Our plan calls for reaching 99,744 Selected Reservists in Category A by the end of fiscal year 1984.

An essential part of our planned growth is the introduction of a new non-prior service accession program, the Sea and Air Mariner, or SAM, in fiscal year 1984. This program will offer a variety of initial skill training options. They will include the traditional Navy "A" school, Navy sponsored civilian Vocational/Technical (VOTEC) training, a program for split summer training for high school juniors and for seniors who are planning on college, and some who will be given credit for their civilian acquired skills.

This plan will increase our non-prior service accessions from our traditional level of 2,000 to 10,000 a year starting next year. This will not only enable us to fill many of our currently vacant positions for junior enlisted members in our ships, squadrons and medical support units, it will add a new measure of vitality to the Naval Reserve. This accession level translates into an average strength of 3,000 with a planned end strength of 4,750 in Training Category F.

The planned strength of our Medical Support personnel in the Individual Mobilization Augmentee (IMA) program increases to an average strength of 612 and to an end strength of 650.

We are requesting an increase of 1,808 in the number of Reservists on full-time active duty in support of the Naval Reserve by the end of fiscal year 1984. A significant part of this apparent growth (674) is the result of a further identification of Reserve Program billets and the requirement to account for them in the Reserve Personnal, Navy (RPN) appropriation. The remaining 1,134 do represent program growth and are required for: additional DC-9 squadrons and manning improvements in other squadrons, the manning of the first three Oliver Hazard Perry class frigates (FFG-7's) and manning improvements in other Naval Reserve Force (NRF) ships, the expansion of our Shore Intermediate Maintenance Activities (SIMA's), increases in aviation base operation and headquarters support, and an associated increase in the transient account. These various categories of Naval Reservists result in an overall request for an average strength of 112,600 and a planned end strength of 118,990 as indicated in the following table:

NAVAL RESERVE STRENGTH REQUEST

	Average strength	End strength
Selected reserve-CAT A (48 drills/2 weeks ACDUTRA)	96,046	99,744
Training pipeline-CAT F (while on initial ACDUTRA only)	3,000	4,750
Individual mobilization augmentees-CAT D (2 weeks ACDUTRA only)	612	650
Full-time support personnel (TAR's and section 265 recalls)	12,942	13,846
Total	112,600	118,990

FORCE STRUCTURE AND EQUIPMENT

The Naval Reserve has embarked on a comprehensive modernization program.

The implementation of the ASW Frigate Plan is on schedule with four FF-1052 class frigates already in the force and two more arriving in the summer of 1983. The Naval Reserve ASW force will continue to build until 8 FF-1052's and 16 FFG-7's are in the force in 1988. These ships will be supported by the SH-2F LAMPS MK 1 helicopter squadrons which join the Reserve Force commencing in 1984. All NRF ASW ships will have Reserve SH-2 detachments. A major portion of organization and intermediate maintenance for these ASW ships will be provided by collocated Naval Reserve Maintenance Facilities. We now have four of these facilities in operation with more to follow as homeporting plans are finalized.

The Naval Reserve Force currently has 85 percent of the total Navy Minesweeper (MSO) capability. As these ships start reaching obsolescence, they will be replaced in the NRF by new Mine Counter Measure (MCM) and Minesweeper Hunter (MSH) ships both of which have significantly increased capabilities.

The portion of our structure devoted to medical programs will expand significantly since the mobilization requirements for Healing Arts personnel are growing from 4,500 in fiscal year 1982 to over 17,000 by the end of fiscal year 1985. These requirements are for backfilling Naval Hospitals as active duty staffs are reassigned to meet contingency requirements, and for supporting the Fourth Marine Division Wing Team, Fleet Hospitals and Fleet activities.

The transaction of the F/A-18 into the Naval Reserve is progressing on schedule with the stand-up of the first squadron in fiscal year 1984. The second Reserve F/A-18 Squadron was originally planned for Fiscal Year 1987 but has now been moved forward to Fiscal Year 1986.

The SH-2F Lamps MK 1 is also on schedule with the first squadron transitioning in Fiscal Year 1984. The second squadron will follow in fiscal year 1985 with the remaining squadron the following year.

The introduction of the A-7E to the Naval Reserve has suffered a setback because of changing fleet requirements. The original introduction scheduled for Fiscal Year 1984 is now programmed to commence in fiscal year 1987 followed by two additional squadrons the following year. This is a critical area for the Naval Reserve in view of Navy-wide problems with the TF-30-P408 engine. This problem, if not corrected soon, will virtually put us out of the attack business by this fall. We are looking at alternative solutions with emphasis on accelerated repair of the engines and an immediate transition of Reserve squadrons from A-7B's to A-7E's and FA-18's.

The replacement for the retiring C-118 aircraft with used commercial DC-9's is proceeding on schedule. We plan to use the $16.2 million authorized by Congress last year to procure DC-9's this year. The number is uncertain since we have not closed out our Request For Proposal (RFP). Our current budget request includes $21.3 million to lease as many as 10 DC-9's in Fiscal Year 1984. We plan to procure used aircraft in 1985 up to the required total of 12 DC-9's.

Although the transition of the first squadron to the E-2C aircraft was programmed for in fiscal year 1984, a recent change in fleet aircraft programming will allow the first E-2C transition to commence in May of this year. The second squadron is programmed for transition in fiscal year 1988.

To upgrade our fighter capability, the older F-4N aircraft are being replaced with the newer F-4S. The Naval Reserve currently has two F-4S squadrons, and will transition the remaining two squadrons in Fiscal Years 1985 and 1986.

Currently our modernization program does not provide for the replacement of our RF-8G (RECON), the EA-6A (EW), KA-3B (tanker), or the introduction of the A-6E and F-14 aircraft to the Naval Reserve.

In the Reserve Maritime Patrol aircraft, the TACNAVMOD program is designed to upgrade the P-3A/B to meet the ASW threat of the 1980's. Our objective is to have the 13 VP RESFORONs TACNMAVMOD equipped by fiscal year 1987. To accomplish this objective, 134 Reserve aircraft must be modified. To date, 61 modification kits have been procured. We plan to procure 12 from the Fiscal Year 1983 Congressional addition of $15 million for Naval Reserve equipment. Funds for 19 kits have been requested for Fiscal Year 1984. If P-3C's are bought for the active Navy at the planned rate of six aircraft per year, 27 TACNAVMOD aircraft will be reassigned to the Naval Reserve from the active force by the end of Fiscal Year 1987. Although the remaining requirement for 15 kits necessary to complete these modifications by Fiscal Year 1987 is not programmed fully at this time, the Navy's long range plan is to have an all modified P3 force in the Naval Reserve.

The Naval Reserve is programmed to contain the following commissioned units by the end of Fiscal Year 1984:

36 Ships: 1 Destroyer (DD), 9 Frigates (FF/FFG), 18 Minesweepers (MSO), 2 Tank Landing Ships (LST), 4 Fleet Ocean Tugs (AFT), 2 Salvage Ship (ARS).

4 Special Boat Units (numerous craft).

16 Mobile Inshore Undersea Warfare (MIUW) Units.

17 Mobile Construction Battalions (MCB).

6 Cargo Handling Battalions (CHB).

51 Squadrons of Aircraft:

2 Carrier Air Wings (CVWR): 4 Fighter Squadrons (VF), 6 Attack Squadrons (VA), 2 Light Photographic Squadrons (VFP), 2 Carrier Airborne Early Warning Squadrons (VAW), 2 Tactical Electronic Warfare Squadrons (VAQ), 2 Aerial Refueling Squadrons (VAK).

2 Patrol Wings (RESPATWINGS): 13 Patrol Squadrons (VP).

1 Helicopter Wing (HELWING RES): 4 Helicopter Anti-submarine Squadrons (HS), 1 Helicopter Combat Support Squadrons (HC), 2 Helicopter Attack (light) Squadrons (HAL).

1 Tactical Support Wing (RESTACSUPWING): 11 Fleet Logistic Support Squadrons (VR), 2 Fleet Composite Squadrons (VC).

The Naval Selected Reserve also has approximately 2,100 Reinforcing and Sustaining units organized and trained to support the following Naval programs:

Submarine Forces, Mine Forces, Mobile Logistic Support Forces, Surface Combatant Forces, Air Forces, Construction Forces, Amphibious Forces, Marine Corps, Special Warfare Forces, Major Fleet/Force Commands, Unified/Joint Shore Commands, Support of Allies, Telecommunications, Security Group, Intelligence, Oceanography, and Research.

Military Sealift, Naval Control of Shipping, Bases and Stations, Naval Material Command, Air Systems, Electronics Systems, Facilities engineering, Sea Systems, Civil Defense, Supply Systems, Merchant Marine, Medical, Training, Personnel System, Public Affairs, Law, Chaplain, and Selective Service.

The President's Budget also requests over $50 million in the Aircraft Procurement, Navy (APN) appropriation to be used for necessary modifications of Naval Reserve aircraft and more than $11 million in the Other Procurement, Navy (OPN) appropriation.

These OPN funds are earmarked for various support and training equipments such as shop equipment for our Shore Intermediate Maintenance Activities (SIMA's), cryptologic equipment for our security groups, and Shipboard Simulators (SBS's) and Damage Control Trainers (DCT's) to train our ship reinforcement units.

Major equipment shortfalls exist in many areas of the Surface Reserve. The most significant areas are in the Mobile Construction Forces, Cargo Handling Battalions and Beach Groups. These shortages include major equipments such as earth moving equipment, trucks, trailers, weight handling equipment and a sizable shortage of tools, clothing, bedding, tents, etc.

NAVAL RESERVE FUNDING REQUEST

The Naval Reserve is supported primarily by two appropriations; the Reserve Personnel, Navy (RPN) and the Operations and Maintenance Naval Reserve (O&MNR) appropriations. First, I will discuss the Reserve Personnel, Navy appropriation.

RESERVE PERSONNEL, NAVY

The Reserve Personnel, Navy (RPN) appropriation is divided into two budget activities. Budget Activity One provides funding for Unit and Individual Training. Budget Activity Two provides funding for Other Training and Support, including active duty TAR personnel, the Reserve Officer Candidate program, the Naval Reserve Officer Training Corps, Armed Forces Health Professions Scholarship program, and the Navy Junior Reserve Officer Training Corps. The total Fiscal Year 1984 RPN appropriation request is for $743.2 million, which consists of $385.2 million for Budget Activity One and $358.0 million for Budget Activity Two.

This funding request will support an average strength of 112,600 Reservists in paid status, including 12,942 full-time support personnel. This reflects an increase of $78.9 million over the level appropriated for Fiscal Year 1983, $66.7 million of which supports a 7,100 increase in Reserve strength. $26.5 million is included for 2,050 additional man-years for the Sea and Air Mariner Reserve Enlistment Program, $12.5 million for a 3,818 increase in average Selected Reserve strength, and $27.7 million for increased full-time support average strength of 1,232. Another $3.4 million is for escalation in costs, $4.5 million is for changes in Reserve programs, and $4.2 million is for ROTC and Health Scholarship increases.

The requested increases will allow the Naval Reserve to comply with Congressional guidance to increase Reserve manning for Naval Reserve Force ships and to start our growth in Selected Reserve strength to meet NAMMOS requirements by the end of Fiscal Year 1987.

OPERATIONS AND MAINTENANCE, NAVY RESERVE

The other major appropriation which supports the Naval Reserve is the Operations and Maintenance, Navy Reserve (O&MNR) appropriation. The Naval Reserve is dependent upon funds in this appropriation for support of mission forces, depot maintenance, and other support. Mission Forces includes funds for fuel, intermediate maintenance, repair parts and related support for the operation of aircraft in both the Naval and Marine Corps Reserve. It also includes operating and maintenance funds for Naval Reserve ships. Depot Maintenance includes funds for rework of aircraft, engines, contractor technical support and for Naval Air Reserve activities. Other Support provides funding to operate and maintain the Air Stations, Reserve Centers, and Reserve Facilities supporting the Naval Reserve forces and for various command and administrative activities.

The funding requested for the O&MNR appropriation for fiscal year 1984 is $693.0 million, which is a $55.5 million net increase over the fiscal year 1983 funding level of $637.5 million. Program growth is primarily for Reserve Air Forces in the form of DC-9 leasing, C-9/UC-12B maintenance contract, new aircraft introductions and Squadron Augment Unit flight training. Base operational support was increased by $21 million through 16 separate funding actions that will improve information systems and personnel support.

Although we increased our funding request for Real Property Maintenance by almost $5 million, we will still not be able to meet the Congressional Containment

Policy to limit the backlog of nondeferrable Maintenance and Repair to the fiscal year 1978 year-end level of $20.7 million. The continued deterioration of the physical plant will maintain our backlog for fiscal year 1984 at a projected level of $36.1 million, or about $15 million above the containment level.

The NRF ship steaming time of 14 days per ship per quarter remains at parity with previous years. The fiscal year 1984 flying hour program is funded at 82 percent of the Primary Mission Readiness (PMR) level.

SUMMARY

The past several years have seen significant improvement in the readiness and capability of the Naval Reserve. We have increased personnel strength, we have improved training, and we have started modernizing our ships and aircraft.

Our request for fiscal year 1984 will support further real progress in all these areas. It will enable us to improve our readiness and sustainability and accelerate our modernization, the three elements that the Chief of Naval Operations has identified as being necessary to successfully perform the Navy's mission.

I am anxious to improve our ability to become a more effective part of the Navy's Total Force, as are all the members of the Naval Reserve.

We recognize the role we must play if the Navy is to provide the maximum war fighting capability for the least outlay of scarce fiscal resources.

I will be happy to respond to any questions or provide any additional information you may request.

Senator **JEPSEN**. General Gill of the Air Force Reserve, will you comment on that, please?

STATEMENT OF MAJ. GEN. SLOAN R. GILL, USAF, CHIEF, AIR FORCE RESERVE

General **GILL**. Yes, sir, Mr. Chairman. We have some pretty significant builds in the Air Force Reserve, about 18,500 increase through fiscal year 1988. And can the Reserve and Guard assume more of any active duty missions? Yes, sir, we can in some instances, and I think if asked to take over any missions, we would tend to expand existing units where we have, for example, tactical airlift units equipped with 8 PAA aircraft. They would take 16 with little increase in overhead personnel, strictly in the crew area, and also fighter attack missions; where we have 18 aircraft, we could go to 24 with very little additional personnel, in the neighborhood of 100 to 200 people in each one of those. But it must be programmatical, and it must be done with a lot of planning ahead of time to accept those missions.

[The prepared statement of General Gill follows:]

PREPARED STATEMENT OF MAJ. GEN. SLOAN R. GILL, CHIEF OF AIR FORCE RESERVE, HQ USAF

Mr. Chairman and members of the committee, thank you for the opportunity to appear before this committee to present the Air Force Reserve manpower program for fiscal year 1984.

It is with great pleasure that I report that the Air Force Reserve attained an end strength of 64,443 in fiscal year 1982, exceeding its programmed end strength of 63,736. All of our units are well-manned and well-trained. All Reserve units can be mobilized in 24 hours and deployed within 72 hours. The keys to Reserve effectiveness have been, and continue to be, modern equipment, meaningful missions, our Technician and Reserve personnel and the strong support of the active force. Overall, I believe the Air Force Reserve is stronger than it has ever been.

As of January 1983, all of our equipped flying units were combat ready with the exception of 3 units converting to newer aircrart and 3 units being activated. These units are:

C-130E unit converting from C-130B's (Westover AFB).
C-130H unit converting from C-7A (Dobbins AFB).
A-10 unit converting from C-130's (Richards Gebaur AFB).

C-130B unit activating (Peterson AFB).

F-4D unit activating (Wright Patterson AFB).

KC-10A associate unit activating (March AFB).

All six of our associate strategic airlift wings were combat ready. Additionally, each of the three KC-135 tanker squadrons remains in combat ready status and has crews standing daily alert. Along this line, the second SAC associate unit of KC-10s was activated in Sepetember 1982 at March AFB, California.

The Air Force Reserve will continue to modernize both its airlift and fighter forces. On the airlift side, we will convert the last C-7 unit, at Maxwell AFB, Alabama, to the more capable C-130E in the first quarter of fiscal year 1984. Our fighter forces will realize two significant changes. First, the F-4C unit at Homestead AFB, Florida will convert to F-4D model aircraft, again in the first quarter of fiscal year 1984. And, in the second quarter of fiscal year 1984, we will retire the last F-105 aircraft and replace it with the F-16. Replacing the C-7, F-4C, and F-105 aircraft will make the Air Force Reserve a much more capable partner in the Total Force. These actions will result in the Air Force Reserve being equipped with basically the same type aircraft as the Active Force. The only modernization issue our current program does not fully address is a firm replacement for our older C-130A aircraft.

By the end of the present fiscal year, the C-130A fleet will average 26 years of age. These aircraft are scheduled for retirement in the early 1990's as the C-17 enters into the active inventory. The C-17 is programmed to replace some active force C-141's nd C-130's which will allow the older C-130A model aircraft of the Reserve and Guard to be replaced. If C-17 procurement does not proceed as planned, the Air Force may be left without a replacement aircraft for the C-130As. This would result in over 20 percent of the tactical airlift force aircraft exceeding 34 years of age. I am hopeful that the C-17 procurement will proceed in order to meet the tactical airlift needsry. These six C-130H aircraft were used to retire older, less capable C-7 aircraft at Dobbins AFB, Georgia. However, 6 aircraft leaves us 2 short of the normal complement of 8 aircraft in a Reserve tactical airlift unit.

Another basis for our high readiness has been the Military Technician program. Military Technicians (MTs), also referred to as Air Reserve Technicians, are full-time employees of our Selected Reserve units who provide critical technical support and contribute significantly to our mobilization readiness. MTs serve in a "dual status" role serving both as Civil Service employees and Selected Reservists. They must be qualified under both Civil Service and military criteria and must, as a condition of employment, be assigned to and maintain active Reserve status in the Selected Reserve unit where the MT position is located. This "dual status" approach is designed to: (1) Improve the mobilization readiness of the Air Force units; (2) insure continuity of service prior to, during, and after moblization; and (3) guarantee their presence to the unit in an emergency. The high skill level and stability of the technician force are critical factors in sustaining our operational readiness and capabilities in support of the active force. Stability is, and will continue to be, one of the major reasons we have been able to attract and retain individuals who possess the highly technical skills needed to assure readiness. However, I am always concerned about our capability to accept new missions and roles when Air Force civilian ceilings are lowered, which directly affects our technician force. Their unique military contribution to readiness places them apart from the general category of civilian personnel in the Air Force. To the extent possible technicians with a readiness/wartime moblization mission should be exempted when non-workload civilian reductions are computed and levied upon the Services. The Military Technician program, as an integral part of the full-time support of the Air Force Reserve (AFR), has proven to be a cost-effective, practical means of managing the Air Force Reserve, and has resulted in a strong readiness posture.

As Reservists train, they support requirements that would otherwise have to be fulfilled by active force resources. For example, in fiscal year 1982, Reserve crews of equipped units airlifted 5,553 tons of cargo, flew 86,723 passengers and air dropped nearly 40,000 troops as a by-product of their normal training missions. Additionally, Air Force Reserve associate C-141 and C-5 units flew more than 79,000 hours, and our associate aeromedical evacuation unit flew more than 1,942 missions, airlifting more than 41,385 patients. We also share rotational duty in Panama with the Air National Guard in support of United States Southern Command with six C-130 aircraft and seven crews six months each year. Additionally, Reserve crews and support units routinely participate in JCS and MAJCOM field training exercises and deployments. The performance of these missions exemplifies the Total Force team in action.

Reservists provide outstanding rescue support for launches and recovery of the Space Shuttle mission at Cape Canaveral, Florida. With regard to hurricane tracking, I should emphasize that, for the seventh consectuvie year, our weather reconnaissance group flying out of Keesler AFB, Mississippi accomplished more than 70 percent of all hurricane missions in the Gulf of Mexico, the Atlantic and the Caribbean; last year we tracked 7 hurricanes/storms.

In fiscal year 1982, Air Force Reserve rescue and recovery units flew 87 search and rescue missions and 12 Military Assistance for Safety and Traffic (MAST) missions, and were officially credited with saving 81 lives. One mission of particular significance was the recovery of five mountain climbers trapped by an avalanche above the ten thousand foot level on Mount Hood in Oregon. The crew, operating at the performance limits of the helicopter, was credited with four lives saved. During this period the Civil Air Patrol (CAP) flew 1,129 search and rescue missions accounting for 106 lives saved. The experience and skills of Air Force Reserve people are valuable assets in supporting CAP programs such as cadet encampments, aerospace education workshops, and a wide variety of other special activities.

At present, the Air Force Reserve provides almost 50 percent of the aircrews and approximately 40 percent of the maintenance for MAC's C-141 and C-5 strategic airlift fleet. We have been partners in the C-141 program since 1968 and in the C-5 program since 1973. Our people, because of this long association, possess a great deal of expertise in maintaining and operating these weapon systems. Should some of these aircraft be considered for transfer from the active force to the Air Reserve Forces, our experience in these programs would make it logical to put these aircraft into the Air Force Reserve. The transfer could be made with minimal loss of combat readiness and minimal cost because we already have half the aircrews and 40 percent of the maintenance personnel trained and qualified.

Twenty seven percent of all tectical airlift is provided by the Air Force Reserve. Fifty percent of the crews for SAC's KC-10 tanker/cargo aircraft will be Reservists. Nearly 25 percent of the Air Force intelligence resources are Reservists. Also, with the acceptance of the A-10 fighter, Reservists are flying new first-line fighter aircraft. Currently Reservists contribute almost 60 percent of the Aircraft Battle Damage Repair personnel in six Air Force Logistics Command gained Combat Logistics Support Squadrons. The Air Force Reserve also provides 13 perent of all Air Force civil engineers, 10 percent of the RED HORSE manpower and equipment, and 47 percent of the MAC aerial port personnel.

To expand Communications Security capabilities both in peacetime and wartime, Air Force Reserve Electronic Security Squadrons are being formed. A 34-man unit at Brooks, AFB, Texas, is now in operation, with one more squadron planned in fiscal year 1984 at Offutt AFB, Nebraska. These units provide surveillance support in communications monitoring, analysis, reporting, and survey.

A Reserve Basic Military Training Squadron is also being established this year. This unit at Lackland AFB, Texas will provide military training instructors to support the basic training surge during mobilization.

In the Air Force Reserve our two basic resources are equipment and people. People are by far more important. Only through their dedication to the role of citizen-airman and the support they receive from their families and communities can we accomplish our primary mission of training for mobilization. Their talent, personal sacrifice and dedication to mission accomplishment were again proven during the many exercises and deployments such as Bright Star 82 and Reforger 82. The wide scope and complexity of these exercises and the professionalism of our Reservists attest to our readiness and "can do" spirit as a highly capable force within our country's defense structure. With the continued contributions of time, talent and energy, we will remain a mainstay to the American way of life.

In addition to our unit program, the Air Force has a successful program to provide trained individual Mobilization Augmentees (IMA's) to active force units upon mobilization. IMA requirements are identified by grade and skill as part of the annual wartime manpower planning process of the Air Force. IMAs are members of the Selected Reserve and are assigned to specific positions established in active force organizations and are trained and supervised by the active force.

Reservists assigned to Individual Mobilization Augmentee positions are fully qualified in their Air Force specialties. As a result, these Reservists in fields as diverse as medical, legal, research engineering, maintenance and intelligence are able to assist with the day-to-day mission of their organizations while they are on inactive duty and active duty training periods. For example, some of the physicians performing physicals or prescribing medication on a typical Air Force Base are IMAs performing their monthly or annual training. As another example, IMAs in the intelligence field are producing standardized critical area intelligence summaries for postulated missions into selected countries. These summaries cover data on geography, population, weather, military capability, and lines of communication. In addition, intelligence IMAs support the Airborne Warning and Control System by analyzing Soviet electronic counter-measure systems against the E-3A Sentry aircraft.

We expect to attain our fiscal year 1983 programmed strength of 10,832 IMAs in Pay Groups A, B and D. Cateegory A Reservists are authorized 48 inactive duty training periods per year plus a 15 day active duty tour. Category B Reservists are authorized 24 inactive duty training periods per year, plus a 12-14 day active duty tour while Category D Reservists are authorized a 14 day active duty tour. For fiscal year 1984, we are requesting a strength of 11,232. The total Air Force requirement for approximately 18,664 wartime IMA positions is indicative of the importance attached to this program. For the past few years, we have been working toward increased manning of these positions consistent with our ability to fund the program. This year we are placing added emphasis on recruiting IMAs including the uses of bonuses in selected enlisted skills.

Concerning overall manning, I mentioned earlier the very favorable manning posture the Air Force Reserve has achieved and maintained. We started fiscal year 1982 with 62,255 people and ended the year with an on-board strength of 64,443, a net increases of 2,188 people for one year. We increased the quality of our force as evidenced by the fact that 96 percent of all non-prior service enlistments were high school graduates. This was a 7 percent increase over fiscal year 1980. Our unit commanders and supervisors at all levels have taken an active recruiting role. With their enthusiasm and hard work, combined with the excellent performance of our recruiting force, and a continued command emphasis on retention, we fully expect to meet our programmed end strengths.

As in the past, however, the recruitment and retention of qualified personnel in critical skill areas continues to be difficult. It is in these areas that we plan to concentrate our incentive program to better recognize the economic realities of recruiting and retaining highly skilled personnel. The programs authorized by Congress for this purpose will allow the USAFR to improve operational efficiency and have a meaningful effect on recruiting and retention. With these resources, we will be able to more effectively attract prior service people who have already received extensive training and experience in the critical skills we require.

Before closing, I would like to express my appreciation for the concern and interest shown by this Committee in the readiness and equipment availability of our Reserve forces. Even though the Air Reserve Forces have not experienced the large shortfalls indicated by other components, the money authorized and appropriated in fiscal year 1983 for equipment procurement will greatly assist in improving the readiness nd survivability of our forces should the need arise. Equally important to our Reserve men and women is the message it conveys of the support of Congress for their dedication and efforts.

In summary, while the war-fighting and readiness role of the Air Force Reserve continues to be an important element within the Total Force, we will continue to modernize our equipment, refine and improve our mobilization procedures, and recruit and retain the people needed to assure we are able and ready to fight at any time.

This concludes my statement, Mr. Chairman. I will be glad to respond to questions.

TABLE I.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE PERSONNEL

	Fiscal year 1982 (actual)		Fiscal year 1983		Fiscal year 1984		Fiscal year 1985	
	End	Average	End	Average	End	Average	End	Average
Flying units	33,468	33,283	33,402	33,213	34,123	33,728	35,549	34,818
Mission support units	19,173	17,958	19,890	19,634	22,011	21,471	23,956	23,556
Individuals	9,933	9,654	10,832	10,832	11,232	11,052	11,973	11,738
Statutory tours	167	157	178	178	216	206	245	245
Recruiters	290	280	301	301	301	301	301	301
Non-prior-service enlisted program	1,233	1,251	1,625	1,470	1,625	1,470	1,625	1,470
Non-prior-service enlisted personnel awaiting training with pay	179	408	372	372	372	372	372	372

TABLE I.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE PERSONNEL—Continued

	Fiscal year 1982 (actual)		Fiscal year 1983		Fiscal year 1984		Fiscal year 1985	
	End	Average	End	Average	End	Average	End	Average
Total Selected Reserve	64,443	62,998	66,600	66,000	69,880	68,600	74,021	72,500

TABLE II.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE FORCE STRUCTURE, FLYING UNITS

	End of fiscal year		
	1982	1983	1984
Equipped units:			
C-130 tactical airlift	13	14	15
C-123 tactical airlift	1	0	0
C-7 tactical airlift	2	1	0
Aerospace rescue and recovery	4	4	4
WC-130 Air Weather Service	1	1	1
CH-3E Special Operations Force	1	1	1
AC-130 Special Operations Force	1	1	1
KC-135 strategic refueling tanker	3	3	3
F-4 tactical fighter	5	5	5
F-16 tactical fighter	0	0	1
F-105 tactical fighter	1	1	0
A-10 tactical fighter	3	5	5
Total equipped units	35	36	36
Associate units:			
C-141 strategic airlift	13	13	13
C-5 strategic airlift	4	4	4
C-9 aeromedical evacuation	1	1	1
KC-10A tanker cargo	2	2	2
Total associate units	20	20	20
Total units	55	56	56

TABLE III.—DEPARTMENT OF THE AIR FORCE, AIR FORCE RESERVE FORCE STRUCTURE, MISSION SUPPORT UNITS

	End of fiscal year		
	1982	1983	1984
Combat logistics support squadrons	6	6	6
Aeromedical evacuation squadrons/flights	21	21	21
Medical service units	15	15	16
Aerial port squadrons	51	52	57
Civil engineering squadrons/flights	35	38	38
Civil engineering squadron (heavy repair)	1	1	1
Communications security squadrons	1	1	2
Basic military training squadron	0	1	1
Numbered Air Forces (Reserve)	3	3	3
Total	133	138	145

Senator JEPSEN. General Conaway, how about the Air National Guard?

STATEMENT OF MAJ. GEN. JOHN B. CONAWAY, USAF, DIRECTOR, AIR NATIONAL GUARD

General **Conaway**. We are very similar to the Army National Guard and what General Walker said. Obviously, we can take on more missions if asked to do so. The Air Force and the Department of Defense have asked us to take on additional missions in the last several years. As a result, we have gone from 89,000 to 102,000 personnel in the last 10 years. We passed the 100,000 milestone last August. That is all category A Guards men and women for the first time in history.

We have a 2,300 manpower increase to the Air National Guard before you for the 1984 mark approved by the Department of Defense and the Air Force which is a programmatic increase, and we are doing such things as in the two States, Iowa and Virginia, represented here. The Des Moines unit we have increased from 18 to 24 A–7s. Very cost effective, it increases the combat capability operation.

We are increasing the Richmond, Va. A–7 unit from 18 to 24 aircraft this summer. We would much prefer working with the Air Force and the Department of Defense to do that in lieu of creating new base operating expense costs in the Air National Guard, robust what we have.

The Air Force is working very closely with us. The Sioux City, Iowa, unit is on the list to perhaps increase from 18 to 24 as more A–7's may fall out. That is what we prefer to do. We can handle any kind of mission the Air Force asks us to do, but we are working very closely with them, and they have been very good to us, and the percentage of the mission we have, two-thirds of the air defense and 60 percent of the interceptor, our cup runs over.

I might add one other thing while I am over my time. The Fort Dodge, Iowa, tactical control unit, to show you the heavy commitment of the Air National Guard, 55 percent of the total Air Force tactical control communications commitment is in the Air National Guard. Our plate is full, and we are committed around the clock, around the world, supporting the Air Force.

We are now at an operational I cannot discuss in an open hearing with 40 members of the Fort Dodge, Iowa, unit doing an active mission for the next 60 days and doing a yeoman's job, and I would be glad to discuss that later with you. That is the type of thing we are currently doing.

Dr. **Korb**. If I can be permitted to comment on that very important subject, if you take a look, you will find out the Guard and Reserve units are at about 85 percent of their wartime requirements. The Active Forces are 92 percent. So, what we are saying here, and I think General Walker has said it best, is, both are short. If you were to fill out both, you would have to add about 350,000 more people, 150,000 in the Guard and Reserve and 200,000 on the Active to meet our present wartime units.

So, yes, the Guard and Reserve need more people, but so do the Active, and again, I would like to emphasize, since this administration has been in office, the Guard and Reserve have grown larger, both absolutely and percentage-wise. When we came into office, the

Guard and Reserve were somewhere near 60 percent of their level. They are now up to 85 percent.

Senator JEPSEN. Admiral Irwin?

STATEMENT OF REAR ADM. JAMES C. IRWIN, USCG, CHIEF, OFFICE OF COAST GUARD RESERVE

Admiral IRWIN. Mr. Chairman, I would have to answer the question a little differently as far as the Coast Guard is concerned. I think we would have to look at it as the effect on our peacetime operations as well as our mobilization. In peacetime, I think Congress is probably aware we are not very fat in our Coast Guard active side of the house, and I do not think we could afford to cut back. It is an operating force 24 hours a day, and I just do not see how we could make any cuts there in the Reserve and help them out.

As far as mobilization is concerned, the Coast Guard Reserve right now, the Selective Reserve, is at 55 percent of our mobilization requirement as opposed to the rest of the Defense Department, which is, as Dr. Korb says, closer to 80 or 85. We need an awful lot of help right now in our Select Reserve just to meet our existing mobilization requirements.

[The prepared statement of Adm. James C. Irwin follows:]

PREPARED STATEMENT BY REAR ADM. JAMES C. IRWIN, CHIEF, OFFICE OF RESERVE, U.S. COAST GUARD

Mr. Chairman, members of the subcommittee, it is a distinct pleasure to appear before you today. This is my first opportunity as Chief, Office of Reserve, U.S. Coast Guard, to present my views on the status of our force.

As you know, the Coast Guard is not a large force in terms of number of people. It is, however, a most important element in our country's preparedness for defense. In the event of war, some ninety-five percent of the material needed will be transported through ports.

It is in support of this tremendous logistics evolution that the Coast Guard and its Reserve makes its major contribution, that is, ensuring the security of the ports of embarkation and debarkation for this massive supply line. In port security, our people perform such tasks as explosive loading, fuel transfer supervision, marine firefighting coordination and security patrol. While the Reserve provides 75 percent of the Coast Guards port security forces, it is not in port security alone that the Coast Guard Reserve serves upon mobilization. They augment many other areas including anti-submarine warfare, air station, search and rescue units and communications facilities.

Unlike the other reserve components ours is not a force dependent upon technological sophistication. The Coast Guard Reserve is people intensive and our budgetary considerations are necessarily directed to this end. Major military equipment is not a requirement. Through our augmentation mode of training, where reservists hone their mobilization skills while supporting peacetime missions of the Coast Guard, we use the Active Force equipment for our training. This is the same equipment that we will use upon mobilization.

To accomplish our various wartime tasks, present mobilization plans call for a total requirement of 24,000 personnel. At least 15,500 of the required personnel are needed for our highest priority missions in support of strategic mobility. Because these personnel must be on board, trained, and organized immediately upon mobilization, they must come from the Selected Reserve, whose current authorized strength is 12,000.

In 1981 this subcommittee took a step toward resolving this problem when it authorized a strength increase for Coast Guard Reserve from 11,700 to 12,000. Though a small increase in numbers it was viewed as an incremental step toward increasing the early response mobilization posture. Since that time the budget picture has changed dramatically. We have all had to adapt our managment practices to the availability of that scarcest of resources—the dollar. The picture has improved, somewhat, for Coast Guard Reserve.

Funding for fiscal year 1983 effectively restored a full training program for a Selected Reserve of 12,000. It allows for active duty for training for an additional 2,500 inactive duty reservists over fiscal year 1982; it returns non-prior service recruiting to a level where over 700 such personnel can be recruited to specific skill shortages; and it provides the option of restoring enlistment and reenlistment incentives. In short, we can now recruit and train to our current authorized strength level of 12,000.

The administrations request for fiscal year 1984 is for a Coast Guard Selected Reserve strength of 12,000. It will provide for training and maintaining our force level at that of fiscal year 1983.

A number of initiatives are underway in Coast Guard that are most important to our Reserve program. Foremost is the updating of Coast Guard mobilization plans. From this we will continue refining our plan to provide for an orderly growth to meet our national security obligations. In addition to updating our mobilization plans, we are increasing our efforts to recruit both prior service and non-prior service personnel; greater emphasis is being directed to matching individual skills to mobilization billet requirements and we are developing a more aggressive training program for our reservists. At the heart of the latter is increased participation in mobilization exercises.

I have had the opportunity in this past year to both observe and participate in such exercises. I am pleased to be able to state that our efforts in this area have been most successful. Coast Guard Reserve conducted or participated in 57 mobilization exercises in fiscal year 1982. Over 3,000 Coast Guard reservists, 25 percent of our force, took part. This is a 150 percent increase over fiscal year 1981.

These exercises represent an important cornerstone for providing the best opportunity to test our mobilization and operational systems and to interface with the other service components. I am convinced that such "role-playing" has resulted in a better trained, highly motivated cadre of reservists. It has certainly heightened the ability of the Coast Guard Reserve to respond in any emergency. It also provides some hands on experience that helps us sharpen up our mobilization plans, identifying both strengths and weaknesses.

Finally, I would like to state that many, myself included, are of the opinion that, dollar for dollar, the Coast Guard Reserve represents the best investment in this Nation's defense. Your continued support of our program will ensure its success.

I will be pleased to answer any questions you may have.

Senator JEPSEN. All right. Senator Warner, you may proceed. If I might ask very quickly, could we just go through each of the services, and tell me, recruiting-wise, you talk about 55 percent and 85 percent and 65 percent, recruiting-wise, starting with you, Admiral Irwin, you say 55 percent. Do you have 45 percent—are you 45 percent short of personnel?

Admiral IRWIN. Our problem, if you will, is, we have a level imposed on us of 12,000 right now Selected Reserve. That is all the funds we have.

Senator JEPSEN. How many do you have in Reserve?

Admiral IRWIN. About 98 percent of that, sir. Very close.

Senator JEPSEN. Is every Reserve and Guard component up to speed with numbers?

General WALKER. Sir, let me put it this way. For the Army and Air National Guard, the Air National Guard is at 98 percent of its war strength, wartime strength, and the Army National Guard is at 92 percent of its wartime strength. So we have made real progress in the strength area.

Senator JEPSEN. You are 92 percent. How does that compare to 2 and 4 years ago, ball park?

STATEMENT OF MAJ. GEN. HERBERT R. TEMPLE, JR., U.S. ARMY, DIRECTOR, ARMY NATIONAL GUARD

General TEMPLE. It has reflected a considerable trend. If you look back over the past few years, the Army Guard has met every strength objective given to it by the Congress. The issue that General Walker is driving at is that, although we are at 92 percent, the remaining 8 percent is critical, the ability to reach wartime strength. We have shown successful trends every year for the past 3 years.

General **WALKER**. And that is in the face of a continuing force structure increase.

General **BERKMAN**. With respect to the Army Reserve, Mr. Chairman, the troop program unit strength reached a low in 1978 and 1979 of 186,000, compared with 245,000 today, so the personnel, the end strength has been going up, and as a matter of fact, in the last year and this year the Army, because of fiscal constraints, was required to cap the end strength growth in the Army Reserve as in the Army National Guard.

General **CONAWAY**. Sir, I might add that this committee and the Department of Defense have helped the Air National Guard go from 92-percent wartime strength in the last 3 to 4 years up to 98-percent funding, and we thank you for that. We are at wartime strength already with still 6 months to go. We are programed in 1984 for 99-percent wartime. That is before your committee for approval.

Senator **JEPSEN**. Then they say something about the Marines guarding the streets? Where are the Marines?

General **OLMSTEAD**. [Indicating.]

Senator **JEPSEN**. Where are the Marines in their Reseve strength? Are you familiar with that?

STATEMENT OF MAJ. GEN. STEHEPN G. OLMSTEAD, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR RESERVE AFFAIRS

General **OLMSTEAD**. The Marine Corps Reserve has a wartime strength goal which we will achieve in 1985 if we continue on the ramp which we are on now. Currently we are above the ramp. We are very healthy in our efforts to achieve our wartime strength.

[The prepared statement of General Olmstead follows:]

PREPARED STATEMENT OF MAJ. GEN. STEPHEN G. OLMSTEAD, U.S. MARINE CORPS, DEPUTY CHIEF OF STAFF FOR RESERVE AFFAIRS

Mr. Chairman, distinguished members of the committee, it is a privilege to appear before this committee to present the annual report on the posture of the Marine Corps Reserve. I am pleased to report that the Marine Corps Reserve stands ready to join with the Active Force in the defense of our nation's interests.

The Marine Corps Reserve provides the Marine Corps total force fully one-third of the manpower and one-fourth of the structure available upon mobilization. Our Ready Reserve, consisting of the Selected Marine Corps Reserve (SMCR), and Individual Ready Reserve (IRR), serves as the primary source of this manpower and provides a 4th Division/Wing Team (4th DWT) with the balanced combat, combat support and combat service support needed by the Active Fleet Marine Forces to achieve their full wartime capability.

With the assistance of Congress and the Administration, Fiscal Year 1982 became a year of transition for the Marine Corps Reserve. Modernization and enhancement efforts were initiated that will carry us through Fiscal Year 1988. This fiscal year, we are managing and consolidating these efforts and with the continuing support of the Congress in Fiscal Year 1984, we will maintain our initiatives to achieve full and measurable readiness.

ORGANIZATION

The Marine Corps Reserve consists of both Active and Retired categories. The 93,351 man Active Reserve, along with its assigned support personnel, contains the Selected Marine Corps Reserve (SMCR), Individual Ready Reserve (IRR) and Standby Reserve, as well as Active Duty Support personnel. (Figure 1 refers).

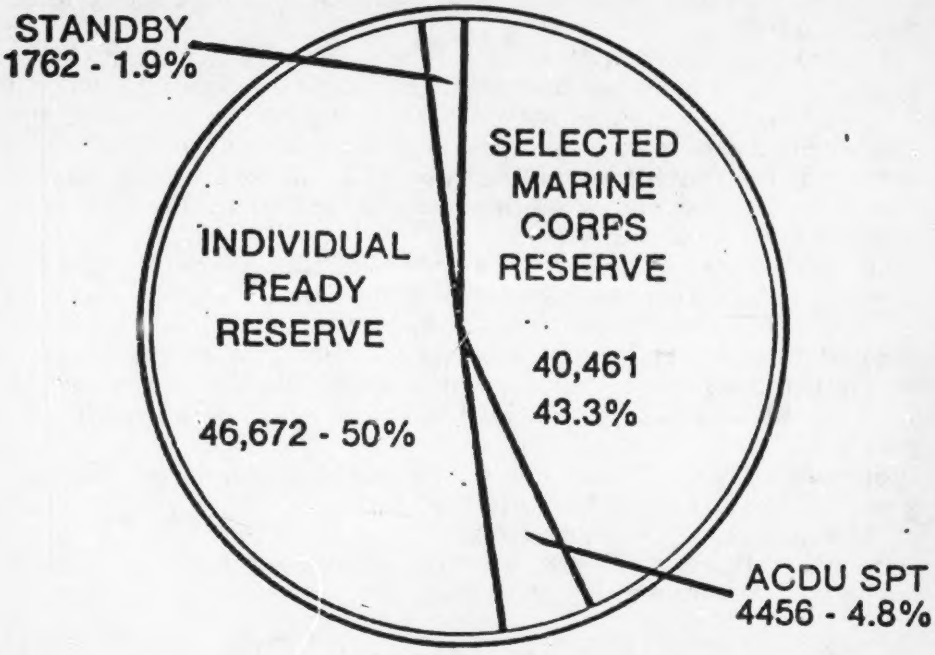


Figure 1

The preponderance of SMCR personnel from the 4th Marine Division (MarDiv), 4th Marine Aircraft Wing (MAW) and 4th Force Service Support Group (FSSG). The remainder of the SMCR consists of Full Time Support Personnel (FTS) and Individual Mobilization Augmentees (IMA) who will staff those mobilization billets within the Active Force which are considered critical for fill within the first 10 days.

The IRR consists of members of the Ready Reserve who are not required to attend mandatory drills or training, but may do so on a voluntary basis. They are subject to mobilization to meet replacement requirements of mobilized units, to form new units or to replace combat losses. With approximately 50 percent of the IRR having been off active duty less than two years, these Marines constitute an important source of trained and experienced manpower.

The Standby Reserve consists of members of the Reserve Component other than those in the Ready Reserve or the Retired Reserve. The Standby Reserve provides additional manpower to augment Active and Reserve Forces in a national emergency declared by the Congress. If mobilized, Standby Reservists would require refresher training.

Active duty support is provided by active duty personnel who assist in commanding, administering, instructing and training the Reserve Component.

MISSION

It is the Commandant's policy that Marine Corps Reserve units be maintained to support the assigned wartime and contingency missions of the Marine Corps. Therefore, we are prepared to employ trained units to selectively augment and reinforce the Active Force, provide a Marine Amphibious Brigade (MAB) or, if augmentation/reinforcement is not ordered, provide a 4th Division/Wing Team (4th DWT).

In addition to this employment of SMCR units, we will use our IMA's to support key mobilization billets within the Active Force on, or shortly after, Mobilization

Day (M-Day). Members of the IRR and Standby Reserve serve as a prime source of qualified individuals to fill shortfalls in Active and Reserve units. Retired reservists can be used as a source of manpower to fill the continental United States (CONUS) supporting base and those operating force billets that can be filled by non-combatants.

PERSONNEL READINESS

Concerns with personnel readiness and quality are paramount. In keeping with Congressional and Defense guidance to achieve wartime strengths in the Selected Reserve, we are requesting authority for an average SMCR strength of 40,390 in fiscal year 1984. Approval will provide for both our planned and programmed growth. Our previous optimism that the SMCR could achieve wartime strength by the middle of this decade has been validated thus far by our attainment of 105 percent of the planned SMCR fiscal year 1982 end strength of 38,540, ending the year with a total SMCR paid strength of 40,461.

With regard to the quality of our Reserve Force, 88.5 percent of our fiscal year 1982 nonprior service accessions were high school graduates, a gain of 4.6 percent from fiscal year 1981. Overall, 87 percent of our SMCR personnel are at least high school graduates, a gain of three percent from fiscal year 1981. Personnel readiness has been augmented by expansion of the Full Time Support (FTS) program. FTS personnel are reservists on full time active duty to assist in recruiting, organizing, instructing, administering or training the Reserve Component or to participate in preparing and administering the policies and regulations affecting the Reserve Component. From an austere beginning of 67 individuals in 1981, FTS strength is programmed to reach 801 by the end of fiscal year 1984. FTS personnel are presently assigned to 17 major commands, including Headquarters Marine Corps (HMC).

During fiscal year 1982 a structure modernization effort was begun to mirror the 4th Marine Division's structure with that of its active counterparts and to increase the combat service support capability of the 4th Force Service Support Group. Initiatives resulted in 62 unit redesignations and a five percent reduction in previous grade and skill shortages.

Despite increases in total manning, degradation in certain critical military occupational skills (MOS) continues to be of concern. Demographics, population transience and shortfalls in prior-service accession and career Reserve retention, as well as the time needed to complete training and to equip those personnel in units recently redesignated are all contributing factors. With the establishment of the Reserve prior service recruiting force, with progress in our automated management systems and with the continued execution of a balanced and aggressive training and unit education program, we are resolving many of these difficulties this fiscal year and hope to achieve a measurable increase in MOS readiness in fiscal year 1984.

TRAINING READINESS

We have determined that a measurable relationship exists between the type of training Reserve units conduct and our ability to retain members in key MOS's and grades. The retention of these valuable manpower assets is essential to the maintenance of readiness. To enhance retention in critical skills and grades, our goal is to make unit training as realistic and challenging as possible. To this end, fiscal year 1982 goals included conducting more training away from home training centers and increasing emphasis on the year-round integration of Reserve unit training into Active unit training schedules. To assist in accomplishing these goals, exercise funding was increased in fiscal years 1982 and 1983 and an increase will again be requested for fiscal year 1984.

Our success in both the quality and quantity of Reserve training conducted has been impressive. We will continue to stress participation in the same training programs used by Regular Marines. During fiscal year 1982, Marine Corps Reservists trained with active duty Marines in joint or combined exercises in Korea, Iceland, Norway, Denmark, Germany and the Caribbean.

In CONUS, almost 12,000 reservists sharpened their skills in seven major Reserve exercises, to include two Combined Arms Exercises (CAX) at the Marine Corps Air Ground Combat Center, 29 Palms, California.

Additionally, three Reserve Battalions completed the summer/winter mountain training courses at the Marine Corps Mountain Warfare Training Center, Bridgeport, California.

Also, during fiscal year 1982, 29 SMCR units were tested for combat readiness using the active force criteria found in the Marine Corps Combat Readiness Evaluation System (MCCRES). This constituted a 45 percent increase in the number of units tested in fiscal year 1981, with 90 percent of the units tested proven combat ready. In fiscal year 1983, we are again increasing the number of units being tested and intend to continue this trend through fiscal year 1984.

Initiatives to improve mobilization readiness were tested during the recent JCS exercise "Proud Saber." In addition, 131 separate unit mobilization tests were conducted during fiscal year 1982. Results indicate considerable improvement over previous years and emphasize that we are on the right track with our enhancement of mobilization management techniques.

Finally, we will continue to stress our on-going Reserve Counterpart Training (RCT) program. This program allows members of the IRR to voluntarily participate in a two week program of active duty training with their active dury counterparts. During fiscal years 1981 and 1982, 2,502 Individual Ready Reservists took advantage of this program and this participation is expected to continue into fiscal year 1984.

MATERIEL READINESS AND FACILITIES

Materiel readiness is essential to the Marine Corps Reserve's capability to execute our mission.

While our goals of procuring, issuing and maintaining combat standard equipment for SMCR unit training allowances are being met, additional materiel to be held as stock and used to completely fill unit Tables of Equipment (T/E) are not yet adequate to satisfy total force needs. Shortages exist primarily in the areas of Communications/Electronics, Engineering, Motor Transport and Ordnance equipment.

The aggregate dollar shortfall of combat reportable items within these commodity areas is approximately $645 million. Fiscal year 1983 procurement funds are being used to reduce these shortages and, assuming that programmed funding levels remain intact, materiel deficiencies will be largely resolved by fiscal year 1988.

An integral part of the Reserve modernization and enhancement effort consists of improving the facilities used by our reservists. With 302 SMCR units situated in 180 separate locations, the condition of many aging reserve Training Centers is a distinct matter of concern. To maintain acceptable training and habitability standards for our reservists, we need to replace or renovate facilities at almost 80 locations, some of these having been built to temporary standards during World War II.

At this time there exists a $441 million Marine Corps and Naval Reserve construction backlog. Twenty-five point two million dollars were budgeted during fiscal year 1983 for facilities renovation and construction and $24.8 million dollars are requested for fiscal year 1984.

As the SMCR structure is modified to enhance its reinforcement/augmentation capabilities, and as new equipment is added, we must have adequate facilities to support both the structure change and the maintenance of the equipment provided. Currently there are 48 projects under construction or design and an additional 46 tentatively programmed. This will require our constant attention if planned structure and equipment changes are to be accommodated.

FORCE STRUCTURE MODERNIZATION AND ENHANCEMENT

As I have stated, fiscal year 1982 was a year of transition for the Marine Corps Reserve. Specific goals for changes to the Reserve DWT force structure were established that will continue through fiscal year 1988 and serve to both modernize and enhance our capabilities. All Reserve structures initiatives were designed to complement Marine Corps total force requirements.

During fiscal year 1982, we reorganized our infantry battalion structure to match that of the Active Forces and activated additional military police and bulk fuel companies. In October 1982, United States Naval Reserve Medical Personnel were realigned to coincide with 4th DWT organization, enhancing training capability and mobilization readiness. In January 1983, an additional Force Reconnaissance Company was added to the Reserve structure. Additional TOW missile platoons are programmed for the infantry regiments and we intend to activate another air/naval gunfire liaison company. Modernization of infantry battalion firepower and mobility programmed through fiscal year 1987 includes introduction of the lightweight 60MM mortar, the MK 19 Heavy Machine Gun, the Shoulder Launched Multi-purpose Assault Weapon (SMAW), the Squad Automatic Weapon (SAW), the M16A2 service rifle and the High Mobility Multi-purpose Wheeled Vehicle (HMMWV).

The 4th Force Service Support Group will be enhanced by two additional bulk fuel companies and a beach and port operations company. Additionally, we expect to complete the activation of the 4th Medical and Dental Battalions by fiscal year 1988.

The need for a modern Reserve aviation component has been accentuated by the tasking of Reserve squadrons to prepare for contingencies previously assigned to active units. Aviation readiness continues to be affected by those problems associated with aging aircraft and aircraft shortages, principally in KC-130 refuelers and AH-1 helicopters. A partial solution exists in that programming goals through fiscal year 1988 include the upgrade of our CH-46, F-4 and A-4 inventories through the introduction of newer models. As a matter of interest, the first A-4M's and CH-46E's are already entering the Reserve Force this year and increases are scheduled in the CH-53, OV-10A and the AH-1J inventories.

The first of the new KC-130Ts provided by Congress is due to join the Reserve Force in the latter part of this calendar year, but the funding for additional KC-130s to fill our requirements fell short when faced with priorities brought about by a constrained budget.

Finally, steps were taken during fiscal year 1982 to provide the management and support needed for increased readiness. These measures include obtaining the FTS personnel needed to assist in organizing, recruiting, training and administering the Marine Corps Reserve and the addition of a new automated management system that replaces antiquated personnel and pay procedures and places the Reserves on a par with the active force. With the help of the additional funds provided by the Congress, our Marine Corps Reserve Support Center in Overland Park, Kansas, has greatly increased the capability of the Marine Corps to manage individual Reserve records which exceed 62,000.

BUDGET

Our ability to manage and complete those readiness and modernization initiatives begun during fiscal year 1982 are closely tied to budget availability. The additional funds provided last year for the purchase of Reserve equipment served as clear evidence of the continued Congressional interest in assisting us in meeting our modernization and readiness goals. Our fiscal year 1984 Reserve budget request of $230.9 million will support both our initiatives and an SMCR end strength of 43,365 (40,300 average strength). This represents 3.1 percent of the overall Marine Corps budget and an average real growth of 1.6 percent.

The Reserve Personnel Marine Corps (RPMC) portion of the fiscal year 1984 budget request is $177.3 million. Of this amount, $128.5 million will support funding requirements for pay and allowances, subsistence, clothing and operational travel for units and individuals during drills and annual training. The additional $48.8 million will support pay and allowances, subsistence, clothing and travel for school and special tours, the FTS program, the Incentive Program, the Platoon Leaders Course and the Junior Reserve Officer's Training Corps. RPMC funding increases of $6.4 million over fiscal year 1983 levels are requested to accommodate approved increases in SMCR/IMA and FTS end-strengths.

The Operation and Maintenance, Marine Corps Reserve (O&MMCR) portion of our fiscal year 1984 requested budget is for $53.6 million to support training, organization and administration of the Marine Corps Reserve. Included within this are $1.9 million required to support current 4th Marine Aircraft Wing squadrons assigned Active Force contingency missions while Active Force units undergo transition from F-4 to F/A-18 aircraft.

CONCLUSION

Mr. Chairman, as I stated initially, the Marine Corps Reserve stands ready.

Our strengths lie in our overall personnel posture and the amount of training that we can afford to offer. Our on-going efforts to both modernize and enhance the Reserve force structure, coupled with our strong emphasis in attaining full materiel readiness and improving our facilities, are tied directly to the budget that you have before you.

While it is recognized that we cannot resolve all of our problems during this fiscal year, the continued support of the Congress will enable us to take positive steps forward. Today, we are in better shape than we have been at any time in the recent past.

Senator **Jepsen**. Thank you.

Senator Warner?

Senator **Warner**. Thank you, Mr. Chairman.

Mr. Chairman, you have got to keep a sense of humor in this business we are in. I went back and did a little research. I thought

I had read this book years ago, and indeed by recollection was correct. I want to read a quote from an old book:

> Government, for instance, in times of peace should maintain only a small percentage of its total aerial strength on strictly military duty. The rest should be used on civil work for the greater part of the time, assembled for a month or so each year to perform maneuvers and military training.

The man who said that got court martialed, and I feel as if I will be court martialed down here because of my efforts to see what we can do in long-term planning to strengthen the Guard and Reserve. I hope I fare a little bit better than Billy Mitchell.

I just left a meeting, as has the chairman, in which we were informed the Budget Committee was unable to get more than two or three votes to support the President's mark. At the request of the President, the Budget Committee will defer its action on the mark for the Department of Defense for a period of time until after we return from the Easter recess period.

This indicates to me that we in the Armed Services Committee have a continuing obligation to look to determine if cuts in fact are to be made by the Congress, how best can they—let me rephrase that—how can they impact our national defense with the least amount of degradation to our readiness and defense capability?

So, I continue to probe the areas, and I have selected this particular area, and with the cooperation of the chairman and other members of this committee, I appreciate the opportunity to ask a few questions.

In prior sessions I have floated the concept of perhaps a cut of several percentage points in the end strength. That idea and procedure was very beneficial. I have now studied a vast number of responses, including yours, Dr. Korb, which indicates to me that in all probability the planning required for that cannot be achieved in the time frame remaining for this particular budget.

Therefore, rather than continue to pursue a cut in the end strength, I will now begin to study a possible freeze in the 1984 end strength posture for purposes of an amendment which I have discussed with the chairman, and look toward 1985, the year in which we can make some additions to the Guard and Reserve.

Now, again, I do not just come into the personnel subcommittee and take up this time out of any spite toward personnel. Needless to say, I have been in the forefront together with the chairman and others in trying to increase the pay and benefits over these 4 years we have been in the Senate together, and we have made a lot of progress. I am concerned that if these cuts come, if they impact on pay and benefits, we will see a loss of pension and perhaps some change in the quality of people coming into the services for a career.

So, I am hopeful we can maintain the present pay and benefits structure, and I join the chairman and Senator Tower in that effort. Therefore, if the personnel account was to take some measure of the cut, perhaps the freeze would be advantageous. The reason for pressing on toward increased Reserve and the Guard is not totally motivated by budgetary considerations, but also demographics of the men and women power pool in the coming fiscal years.

My first question to you, Dr. Korb, is, I have statistics here indicating that the FYDP as submitted with this budget shows an end strength of active force will grow by 9 percent over the next 5 years. Is that approximately correct?

Dr. KORB. That is approximately correct; yes, sir.

Senator WARNER. Also, over the same period of those 5 years, the supply, and this statistic relates only to males, will decrease by 15 percent. Could you comment on the accuracy of that?

Dr. KORB. I am afraid that both figures are accurate. We are trying to increase the size of the active force at the time when the available manpower pool is declining. Let me make a couple of comments.

Senator WARNER. Let me finish these statistics, and then we can go into your discussion on it. By the 1990's of course, that curve continues to drop to where in 1994 the qualified military available—Is that the descriptive phrase you use for this category?—will be a ratio of 3.3 to 1, which means we have to take almost one out of every three available males in the United States in 1994 to meet your projected requirements, and in 1990, it is 3.8, so giving me the benefit of the doubt, it would be about one out of four in the 1990's.

So it seems to me the demographics of our nation provides another strong motivation toward going to strengthen the Guard and Reserve, assuming there would be an inability to recruit capable people.

Dr. KORB. Senator, you have certainly put your finger on our manpower dilemma, and this, of course, was a great concern to the President and the Secretary of Defense, and it was a major topic in the President's Military Manpower Task Force, a report which was issued last October. In the next 5 years, the largest percentage of active force growth, I think about half, if my memory serves me correctly, is in the Air Force.

The Air Force needs that because of a number of new missions they are taking on, ground-launched cruise missile manned bomber, for example. But the Air Force is the easiest service to recruit for. Right now, something like 97 percent of the people they are taking in have high school diplomas, and somewhere near that same figure score average or above average. So, we have no doubt that the Air Force will be able to meet its goals.

The other thing to keep in mind is that we did not fall off a cliff starting in 1980, in terms of the available percentage. Those numbers went up during the seventies, peaked in 1979, and began to decline. If you compare, for example, fiscal 1987 to fiscal 1975, you will find out that we will need about the same percentage of the available population.

The other thing to keep in mind is that if we can keep retention high, it will lessen our recruiting requirements, and that is where we have placed our inital emphasis—and as you have mentioned, thanks to you, people like you and the chairman—in the pay and benefits area, that has helped an awful lot in retention. So, the key is to keep retention high, and if you can do that, we will lessen the demands we have to make on people coming in.

But because of the demographics, this is why this administration will have increased more in the Guard and Reserve area than they have in the Active Force. There are also other things one can do to deal with this particular situation. One can look at the precentage of women in the service. One can look at the qualifications of people coming in.

Right now, as you know, we are required to recruit no more than 20 percent for any service in category 4, which means we got a smaller percentage of people in category 4 than we had even under conscription. I think you put your finger on the dilemma. We are aware of it, and I can assure you all of those factors have gone into our 5-year defense projections.

Senator WARNER. Dr. Korb, we once before discussed the ratio of Active to Reserve components by countries. For the benefit of those who may not have had these statistics before, there is a ratio in NATO overall of 1 Active to 1.4 Reserves. The United States is 1 Active to 0.4 Reserve. The Warsaw Pact is the reverse. For every Active, there are 2.3 in the Reserve or Guard, and in the U.S.S.R. itself, there is a ratio of 1 to 1.35.

Now, again, I recognize our military doctrine is predicated on the force deployment policy as such that we have to keep a rotation base at home, and that excuses those figures, but with this effort on behalf of the President that you are implementing to go at a rate of increase for the Guard and Reserve, would you anticipate some correction of those ratios in the foreseeable future?

Dr. KORB. I think if you track those ratios, since this administration has been in office, you will find out they are increasing, and at the end of our 5-year program, if it is executed, we will look better, but as you quite rightly point out, it is difficult to compare us to people in Europe, because of our higher deployment, our rotation base. I think the key to keep in mind here, as General Walker pointed out, is, it is not that the Active is too big and Reserve too small.

The problem we have is, we need more in both Active and Reserve Forces, if we were to fill out to our full wartime requirements. Adding 350,000 to Active and Reserve, is one thing we can do. Another is to look at the mix of Active and Reserve as we phase those in over a period of time.

If this committee and the Congress feel that for budgetary reasons they cannot authorize some 38,000 extra active people we have asked for this year, I think one ought then to look all the way through at the systems those people would have been expected to man. Whatever changes the committee makes, whether they be additions or subtractions, we would ask they be balanced. We do not, for example, want to deploy the ground-launched cruise missiles to Europe without adequate people to be able to man that.

Senator WARNER. That would take a certain prioritization by the Secretary of Defense. Again, I retun to the point. I am not singling out the personnel account. What I am trying to foreclose is the totality of whatever cuts the Congress takes falling on modernization. I have a thesis that we can recover faster from some shortfall in personnel in the next 2 years than a drastic slashing of the modernization program.

We have discussed this before. So, what I am trying to say is, if we have to take it, I would advocate they are spread as evenly as possible over modernization, basic readiness, and personnel.

Might I suspend for a moment to take a call, Mr. Chairman, and return?

Senator **Jepsen**. Surely.

Secretary Korb, I will have one more question, and then I think we will let the record show if there are any questions that any of the members of this committee have, they will be submitted and sent to the various people for their response.

One question, though. Is it true that 30 percent of the growth in the Reserves are due to accounting changes? I have heard that.

Dr. **Korb**. No, sir, Mr. Chairman. The numbers I gave you in my statement take that into account. If we did not use it, the growth would be about 190,000. We are very sensitive to that, the fact that the Congress has now asked us to count different people.

Senator **Jepsen**. So the 160,000 does reflect true growth?

Dr. **Korb**. That is right. If we were to look at the total growth, for example, from 1980 to 1984, it would be about 190,000, if we did not take into account those accounting changes.

Senator **Jepsen**. Senator Warner, you may proceed. When you are finished with your questioning, we will go directly to any statements for closing from this group.

Senator **Warner**. My next question to Mr. Philbin is, As a rule, is it a correct statement to state that Reserve and Guard component forces operate at substantially less costs than their active counterparts?

Dr. **Philbin**. If you are talking about the maintenance of combat capability, the operation and maintenance costs are smaller. If you talk about taking existing Guard and Reserve units and have them operate at the same tempo as do active duty units, then the costs come very close together.

Senator **Warner**. You are correct in the restatement of the question, not at that level.

Dr. **Philbin**. If we are talking about the maintenance of combat capability, the cost varies according to our preliminary figures between about 70 percent to a low of about 20 to 25 percent, depending upon the complexity and technological capability of the unit involved.

Senator **Warner**. Mr. Chairman, General Roberts, could you reply to a question from that position, do your best? The question would be, the idea presented in this statement that you submitted expressing the possibility of a force structure transfer in the Air Force. Could you elaborate on that?

General **Roberts**. Senator, the Air Force Reserve in its military airlift capability has associate units that operate the C-141's and C-5's to the tune of about 50 percent of the air crews and perhaps 40 percent of the maintenance personnel, and if they were supplied with the hardware, I think they could then operate at essentially lower costs than comparable Active Air Force units.

Exactly what that cost is, I am not prepared to say, but it is my judgment it would be around 40 percent.

Senator **Warner**. Has it been brought to your attention that the proficiency ratings of the units now is extraordinarily high?

General **Roberts**. Yes, sir.

Senator **Warner**. Comparable with the active?

General **Roberts**. Yes, sir. General Gill and the leaders of the Air Force would agree, I think, that the readiness capability of the Air Force Reserve personnel and units is very high, the C–1, except when they are in transition from one type of aircraft to another.

Senator **Warner**. That is indeed a credit to the Active Air Force staff, to have helped them achieve that status.

Dr. Korb, back again to the subject of a freeze, what would be the impact of a freeze by Congress on the current end strength of the services? Perhaps a number would be set within which the Secretary of Defense could do such reallocations he felt necessary.

Dr. **Korb**. The impact on readiness obviously could be minimized if you took it in the nonforward deployed units, and obviously, we would prefer that if there were a freeze, you give the Secretary the discretionary authority to decide where he would go, but there would be some impact on readiness.

You would also have the problem in that it could reduce the rotation base and might lead to some longer tours in Europe for some of our enlisted people, Army enlisted people like tank gunners, some longer sea duty periods, and that would have long-term impacts.

It would not show up until that young man or young woman came up for reenlistment.

Senator **Warner**. Those situations, while adverse, are manageable, are they not?

Dr. **Korb**. I think we can minimize the damage to the extent we are given discretionary authority.

Senator **Warner**. We have to look at these options, as I say, against a projected $200 billion deficit. It is a problem all of us must work together on.

Mr. Chairman, I thank you for the opportunity to be with you today.

Senator **Jepsen**. Thank you, Senator. Does anyone on this panel or the backup panel have a final statement they would like on the record?

[No response.]

Senator **Jepsen**. Thank you very much.

General Conti, Chairman of the Reserve Forces Policy Board. Everyone is welcome to stay if they would like.

General Conti, I welcome you, and General Zink is also here. I welcome both of you. Your statement, your original statement, will be entered into the record as read, and you may proceed in any manner you so desire.

STATEMENT OF LOUIS J. CONTI, CHAIRMAN, RESERVE FORCES POLICY BOARD, ACCOMPANIED BY GEN. JOSEPH D. ZINK, MILITARY EXECUTIVE

General **Conti**. Thank you, Mr. Chairman.

It is a pleasure to appear before you today to present for your consideration the views from the perspective of the Reserve Forces Policy Board on the force mix and other manpower-related issues germane to the Guard and Reserve. Accompanying me today is Gen. Joseph Zink, a military executive to the Board.

As you have said, I have submitted a statement for the record, and will only highlight the salient issues contained therein. I wish to make it clear the views expressed in this statement represent a consensus of the views held by the 21 members of the Reserve Forces Policy Board. They do not necessarily reflect the views or positions held by the Secretary of Defense, the military departments, or the chiefs of the Reserve components.

The issues of the force mix is of serious concern to our Board. It is our view that it is composed of two separate but related elements, and to these elements I will address my remarks.

The first element poses the question of whether or not the Guard and Reserve have the capability to take on new or further missions from the Active components. The answer from the Board's perspective is unequivocally yes. Historically, the Guard and Reserve have taken on many missions from the Active Forces, and they carry out these missions daily in an outstanding manner.

COST EFFECTIVENESS

The Guard and Reserve are cost effective and would accomplish the goal of Congress by affecting fiscal savings. The Board is confident in the ability of the Guard and Reserve to assume new missionary roles and accomplish these missions with the same degree of proficiency and on a par with the Active Forces.

With adequate resources for equipment, training, and full-time support, the Reserve components can match the readiness levels of the Active Forces. However, on balance, the following must also be considered. Not all missions can be accomplished by the Reserve components. Some missions require a continuous available Active Force. Deployed force missions to meet foreign policy commitments cannot be accomplished routinely by part-time Reserve and Guard components. The rotation base requirements can only be accomplished by full-time Active Forces.

The second element of the force mix issue is, should we reduce our Active Forces and place those mission responsibilities in the Guard and Reserve in fiscal 1984. The considered opinion of the Reserve Forces Policy Board to that question is an unqualified no. Force mix changes should be carefully and deliberately planned and executed in order not to degrade the total force readiness. There is a need to review whether some Guard and Reserve mission should be transferred back to the Active Forces.

Shifting mission area responsibilities from Active Force to Guard and Rerserve is not just a matter of recruiting adequate personnel for the Guard and Reserve.

It involves locating proper skills for the mission, providing equipment as well as operation and maintenance funding, training and funding for active duty for training, travel, and schooling, in order to achieve readiness levels equivalent to that of the Active Forces being replaced, the consideration of the proper facilities to accommodate personnel and equipment for the mission, and it requires the realization that in the Guard and Reserve, attaining full readiness may take longer than that of Active Forces.

There are several other manpower-related issues which I will touch upon most briefly. In the area of the Guard and Reserve recruiting, it is regrettable that in the current favorable recruiting environment, some of the services have placed constraints on their Reserve components which prohibit growth or do not fund it. Those components should be expanded to meet wartime requirements sooner than scheduled.

In the area of incentive and bonus support, it is imperative that vigilance be maintained to counteract any attempt to either reduce or eliminate Active, Guard, and Reserve incentives and bonuses which would impact on the services' ability to meet manning level requirements as competition intensifies for the decreasing military age cohort, particularly as the economy improves.

The Board continues to express concern in the area of the pretrained individual manpower over the need to address the extensive shortfall. The shortfall of health care personnel continues to be most alarming, in that it was described as a war stopper during the most recent mobilization excercise. Legislative relief is badly needed in the area of the present general officer accountability to the active list for those active duty statutory positions presently occupied by Reserve component, flag, and general officers.

In the area of Reserve chief enhancement, the Board believes that the need exists to enhance the command, control, and management authority of the Reserve chiefs, giving them greater voice in resource allocations needed to improve readiness.

Finally, the Board is concerned with the manpower and funding constrants placed on the Coast Guard Reserve at the very time when the mission responsibilities of the Coast Guard are increasing.

In the final analysis, the first and primary consideration of any Active and Reserve mix change should be the national security of our Nation. The second consideration should be the efficacy of such force mix changes in relationship to the total force readiness. The third consideration should be the time constraints required to effect the mission transfer in a balanced way, considering all of the attendant implications.

A fourth and overriding consideration should be that such a transfer of missions from the Active to the Reserve components cannot be effectively accomplished without careful planning and, as a result, solutions in the fiscal year 1984 budget would be difficult.

A further consideration should be that any new increase in force structure should go into the Guard and Reserve unless it can be definitely shown that it can only be accomplished in the Active Force.

In conclusion, I would like to state that in any determination of the proper mix between Active and Reserve components, it must be recognized at the onset that roles and missions of the Guard and Reserve must be intrinsically compatible with the hallmark of Guard and Reserve operations, primarily within close proximity to home and the workplace.

Among those roles and missions which are compatible with Guard and Reserve operations, some still must be performed by Active component forces. However, I am confident that there are a number of roles and missions, which can be transferred to and performed by Guard and Reserve efficiently, professionally, and in a cost-effective manner.

The challenge at hand, Mr. Chairman, is to seek out transferable roles and missions, plan carefully, train and equip the Guard and Reserve to perform them in a timely manner in order not to degrade readiness. We stand ready to help in this regard. This concludes my remarks, Mr. Chairman, and I thank you and the members of your committee for the privilege of expressing them.

[The prepared statement of General Conti follows:]

Prepared Statement of Louis J. Conti, Chairman, Reserve Forces Policy Board, Office of the Secretary of Defense

Mr. Chairman and members of the subcommittee, I am honored to appear before this distinguished Subcommittee for the first time as the Chairman of the Reserve Forces Policy Board.

I have served as Chairman of the Reserve Forces Policy Board for a period in excess of five years. Orginally appointed Chairman in September of 1977, I was reappointed by Secretary of Defense Casper W. Weinberger in October 1981 for an additional four-year term.

THE RESERVE FORCES POLICY BOARD

Since this is my first presentation before this Subcommittee, I would like to take a moment to present a historical background of the Board. Tracing its origin back to President Truman's Executive Order 10007 of October 15, 1947, the Board was variously known as the Committee on Civilian Components and the Civilian Components Policy Board until assuming the present designation when established in statute in 1952. The Board was designed by the Congress to serve as "the principal policy advisor to the Secretary of Defense on matters relating to the Reserve Components", and operates as part of the Secretary of Defense's team. At the same time, since the Board was established in statute, it also serves as an arm of the Congress.

The Board, because of its statutory existence, was created to be independent. It is not forced to examine contentious issues through rose-colored glasses or to propose its recommedations in adherence to perceptions of a particular administration or military service policies. The Board's chief value to the Secretary stems from this independence. The Board provides a mechanism by which the seven Reserve Components participate in the formulation of major policies affecting the role of these forces in national defense. The net result is the straightforward reporting of Reserve issues, as the Board views them, both to Secretary and to the Congress.

The primary role of the Board is to elevate the visibility of important issues in order that they may be addressed and resolved and to work within the Department of Defense structure to influence policy early in the formulation stage. I am pleased to report, Mr. Chairman, that the Board takes its charge seriously and continues, more than at any time in our history, the raise important issues and recommendations to improve the readiness and reliability of the Guard and Reserve. It is our belief that the independent analysis and the opinion, views, and recommendations of our Board are vital and, whether accepted, rejected, or ignored, serve the very purpose which was intended by the Congress when it formed the Board 30 years ago.

Today, there are serious manpower and personnel issues which must be addressed and resolved. It is my intent to offer the consensus opinion of the Board on several major issues.

COST EFFECTIVENESS OF THE GUARD AND RESERVE

There has been a good deal of discussion on whether or not there should be a reduction in the end strength of the Active Armed Forces and a subsequent transfer of these personnel positions into the Guard and Reserve. Once accomplished, any savings presumably could be applied to other areas such as increased pay and allowances, improvements in readiness, sustainability, modernization, or simply not programmed in order to reduce the overall deficit. Several aspects of this plan trouble me as well as the members of our Board.

There seems to be a historical trend which suggests that when money for defense is readily available, it is spent on the Active Forces. However, when money for defense starts to dwindle, there are a shower of suggestions on how to transfer manpower positions or units from the Active Forces into the Guard and Reserve. Although such suggestions have a certain degree of merit, they also have very definite practical limitations. Additionally, there are those who believe that when defense dollars are tight that the Guard and Reserve should "take equal reductions"—that is, although they are not funded pro rata, their budgets should be reduced pro rata. The Board is unalterably opposed to that thought.

The mix and balance of our forces is one of the most serious decisions our nation can make in peacetime. Therefore, it is the Board's belief that the migration of forces from the Active to the Reserve Components should not necessarily be in a single direction. The allocation of missions should not automatically be from the Active to the Reserve but should include consideration of the movement of units from the Guard and Reserve into the Active Component to assure a broad, operationally sound, and immediately employable combat and combat support force.

Like many of our Allies, we in this country are again reminded that the cost of maintaining a large standing Armed Force coupled with the costs of its modernization and that of discharging a world-wide military obligation is a very great economic burden, given the other demands on and priorities of government. The inability to fund an Active military force structure of the size required by the international environment seems, historically, to be a fact of life. The dawning of that realization is usually followed by an urge to transfer missions into the Reserve Components.

ACTIVE AND RESERVE COMPONENT FORCE MIX

If for any reason there is to be a change in the balance and mix of the Active and Reserve Components, we cannot state strongly enough that such a step must be done within a carefully developed time frame and only after due deliberation. The Board would strongly counsel against any such change in this coming fiscal year. The consequences are far more involved than the apparent fiscal savings.

Foremost in the consideration of shifting missions from the Active to the Reserve Components must be the question of balance: the maximum cost and militarily effective mix of Active and Reserve Forces; the nature of the force structure required to respond to specified emergencies; the trade-offs in military organization, response, readiness, sustainability, morale, international political consequences and cost savings which may result from such a reorganization.

The issue of Active and Guard/Reserve mix has been studied many times within the Department of Defense. The Reserve Forces Policy Board conducted a limited examination of the issues in our studies, "The Reserve Forces in the 1990's" (Volume I and Volume III) and in our recent readiness assessment reports. In those reports, we urged, and continue to recommend, that the mix issue be carefully examined, and a constructive plan developed and implemented.

In an atmosphere of fiscal deficits in which many different centers of influence are attempting to reduce defense spending, there is a tendency to rush into sudden changes to the force mix. These well-intentioned but heuristic efforts would not provide solutions to the problems but could create additional problems and, in the end, could diminish our nation's defense capability.

CONSIDERATIONS FOR CHANGING THE MIX

I submit for your consideration some of the concerns which the Board deems necessary to a rational examination of this issue. In the opinion of the Board, any transfer of missions from the Active Forces to the Guard and Reserve must:

Be well planned, evolutionary in nature, and deliberately paced.

Consider the global missions and the strategic response required of both Active and Reserve Components.

Focus on the transfer of missions which the Guard and Reserve can undertake in a cost and militarily effective manner with the minimum of reorganization or turmoil.

Focus on missions that the Guard and Reserve can, and are, doing well—that is, those missions that are compatible with military personnel who serve part time.

It is essential that if missions and the manpower authorizations to carry them out are moved from the Active to the Guard and Reserve, then the necessary quantity and quality of equipment must also be allocated to the Guard and Reserve Components. Most of the "plans" discussed to date do not include increased Guard and Reserve funding for facilities, procurement, full-time manning, training, travel, and the like. This reduction of Active Forces "on the cheap"—the transfer of missions to the Guard and Reserve without resources—cannot be permitted to happen as it will exacerbate the problems of training, readiness, and responsiveness in both the Active and Reserve Components.

Any transfer of personnel, units, or missions will also require adequate planning and support for Service schools, for additional training sites to be used during weekend and annual training, and considerable transitional support from the parent Service.

The Reserve Forces Policy Board believes that any significant reduction of Active Component personnel and their transfer totally into the Reserve Components in the fiscal year 1984 cycle would be extremely difficult to accomplish. The Board also believes that any reduction in the strength levels for our Active Components would be a serious mistake at this time. We base this conclusion on several factors, not the least of which is the strategic worldwide missions currently being undertaken by our active Armed Forces.

MAINTAINING THE QUALITY OF FORCE IN THE GUARD AND RESERVE

I reiterate my view that any transfer of missions from the Active Components which results in a substantial increase in the strengths levels in the National Guard and Reserve must be well planned—and programmed. This recommendation is based, in part, upon Guard and Reserve success in recruiting and retaining quality men and women over the past several years.

The termination of mandatory service in our nation's Armed Forces and the shift to dependence on an All Volunteer Force (AVF) was abrupt. The turmoil caused by these decisions resulted in a gradual and significant loss of trained manpower not only in the Active but in all of the Reserve Components. It took years to study the problem, arrive at alternatives, test various programs, develop incentives, hire and train recruiters, and get funding for programs and, in 1979, the constant stream of losses from the Guard and Reserve stopped. Since fiscal year 1978 and through the end of fiscal year 1982, a period of four years, the Selected Reserve has shown a net increase of 175,317—an increase in their end strength of 22.3 percent.

IMPACT OF ACTIVE COMPONENT FORCE REDUCTION ON THE GUARD AND RESERVE

A decrease in the Active Components of 5 percent and a subsequent transfer of these positions or units to the Guard and Reserve would, for example, amount to an increase in Reserve Component strength of approximately 108,000 trained individuals. To place a requirement of that magnitude on the Guard and Reserve in fiscal year 1984 would generate great personnel turbulence.

Even if the Guard and Reserve was deliberately directed to recruit to the higher strength level, the influx that 108,000 or more individuals into the Guard and Reserve structure over a one year period would, in all probability, result in an overall degradation of combat readiness. Such an influx would result in a large backlog in the Services' training base and would present problems of a magnitude similar to that of a major mobilization.

The impact on the Guard and Reserve recruiting force would also be significant. They would again be faced with a "start-stop" recruiting order involving large quotas to be met immediately. Historically, this has resulted in a lower entrance standard.

CHANGE IN THE MIX—FROM THE ACTIVE TO THE GUARD AND RESERVE

If a decision is made to reduce the Active Force and transfer missions, units and/or personnel into the Reserve Components, then the resulting Active Component reduction in force (RIF) should include a requirement that personnel given an "early-out" thereby incur an obligation to serve out their term in a Reserve Component unit or, alternatively, incentives to encourage those leaving the Active Components to join the Guard and Reserve should be provided.

In considering a possible RIF of the Active Force and the transfer of these personnel positions to the Guard and Reserve, the Board suggests a two-part program for consideration by this Subcommittee.

First, increase the existing personnel authorization "floor" for the Reserve Components to full wartime manpower levels.

Second, direct the expansion of specified existing units in the Reserve Components and direct that they be equipped to full organizational levels, or to new and higher organizational levels. For example, the number of fighter aircraft authorized at 18 should be increased to 25 and cargo aircraft authorized at 8 should be increased to 16 in each Guard and Reserve squadron. Units of the ground forces could be expanded in similar fashion. This technique would entail only incremental increases in the resources required. Support facilities exist at present bases. The additional funding required for new or expanded facilities should therefore be minimal.

The expansion of these units would substantially enhance the combat mission capability of Reserve Forces flying units. The Active Component squadrons from which the aircraft were taken would thereafter be able to accept new aircraft (e.g., F-15 and F-16) without significant changes in personnel.

To a limited degree, the same expansion in the force structure could also apply to combat support, combat service support, and some combat units which are organized at less than full strength and full equipage levels. Given the time and resources to recruit to wartime manning levels and the equipment on which to train, the combat capability of the country could be substantially increased for far less than the cost a comparable Active Component force expansion would entail.

By implementing these suggested techniques, increased strength in the Guard and Reserve could be programmatic and could incorporate any required expansions in infrastructure, school positions, facilities and unit training. In most cases readiness of the existing Guard and Reserve units would be minimally effected because the expansion would be within designed absorption limits. But, if a program of this nature is to be successful, sufficient funds must be provided for training, travel, spare parts, support, facilities, and full-time manning.

GUARD AND RESERVE RECRUITING

There is a related issue I would like to address. The Guard and Reserve have responded to the recruiting requirements in an admirable fashion. They have built a recruiting program and manned it with Guardsmen and Reservists from scratch. It is regrettable that at the very time manpower levels in the Guard and Reserve could easily be increased significantly, some of the Services have placed constraints on the Reserve Components which prohibit that growth, or, at least, do not fund it.

It is the Board's belief that the current economic environment is a major contributor to the success of Active and Reserve Component recruiting and retention programs. There is a general consensus that when the economy rebounds, the Services will again be competing among themselves and with the civilian sector for the same limited manpower. In fact, whether the economy recovers or not, the demographics are such that there is a dwindling number of eligible young men in the military-age cohort which is our primary recruiting pool. The Board believes that now is the time to reap the benefits of the seeds sown over the years by our Guard and Reserve recruiters by expanding the authorized strength levels for the Guard and Reserve to wartime requirements in this current recruiting environment. If, over time, the Reserve Components are expanded to incorporate units or positions transferred from the Active Forces, there would be an expanded Reserve infrastructure to receive them with minimal adverse impact.

The Board has been, and continues to be concerned over the ability of the Guard and Reserve to achieve wartime requirements. We believe that with some specific exceptions, if Guard and Reserve units are to be deployed within very short time periods, then we must look at the deployable strength—or trained unit strength—available and compare that number to the wartime requirement. Basically, trained unit strength is the end strength of the Selected Reserve, less those already in the training pipeline or awaiting training, plus any active duty Guard and Reserve personnel (AGR) who, by assignment, are scheduled to deploy with their mobilized Selected Reserve unit.

At the end of fiscal year 1982, Selected Reserve trained unit strength levels were 175,000 below the wartime trained unit strength requirement. This shortfall is projected to be reduced to 94,000 by the end of fiscal year 1988. If Congress were to raise Selected Reserve floor strength to full unit wartime manning levels, the Services would have to fund to those levels. The Services would thereby be precluded from imposing the recruiting constraints now being levied on some elements of the Guard and Reserve.

One of the major objections expressed by the Services to any proposed expansion of the strength levels in the Guard and Reserve is the impact an increased Reserve Component unit force structure will have on an already serious equipment shortfall. The Services do not wish to exacerbate the current multi-billion dollar equipment shortfall in the Reserve Components by creating more units which, in turn, will require more equipment. I recognize that equipment is not the primary concern of this Subcommittee, but it must enter into any consideration of the proper mix of units or an increase in Guard and Reserve force structure.

SUMMARY OF THE MIX ISSUE

The issue of mix and balance is of serious concern to the Board. The Board believes that any transfer of responsibility from the Active to the Reserve Components must be carefully considered. Given the world-wide commitment of our Armed Forces, the Board believes that the Guard and Reserve Forces should be expanded to wartime levels and that any reduction of the Active Forces will strain the ability of the Total Force to meet its present obligations.

The Board suggests that any change in the mix be studied from a perspective of applied force. Our Active Forces must have the organic ability to sustain combat operations and to be self-sustaining until the Guard and Reserve Force can be mobilized and deployed. The Board is concerned that previous changes to the mix have created serious problems in the combat support and combat service support arenas by removing too much from the Active Components, transferring it to the Guard and Reserve and then not providing the Guard and Reserve with the required equipment to carry out these responsibilities.

If there is to be a reduction in the Active Components, there must be a subsequent increase in Guard and Reserve strength. Any such increase must be supported mentally and materially by the Services and fully funded by the Congress. Such a program should only be attempted over a period of years in order to be both cost effective as well as have the minimal impact on the combat readiness of the Total Force—Active, Guard and Reserve.

INCENTIVE AND BONUS SUPPORT

As stated above, the Board remains concerned that as the economy improves the competition for the same limited and decreasingly available military-age cohort will intensify. The competition among the Services, the Active and Reserve Components and the civilian sector will resurface and will be even more serious than that experienced in the mid to late 1970's.

It is imperative that this Subcommittee maintain vigilance and oppose any attempt to reduce or eliminate Active, Guard and Reserve recruiter positions, bonuses or other incentives which would impact on the ability of the Guard and Reserve to meet their manning level requirements.

It has taken years to build not only the recruiting force but in conjunction with the Congress to develop incentive and bonus programs geared to the unique requirements of our Guardsmen and Reservists. The Board fully supports Congressional permission for the Chiefs of the Reserve Components to selectively apply incentives and bonuses in those skills which they perceive to be most critical. There cannot be an overall, generally applied rule. By permitting the Reserve Chiefs to apply these funds where needed, the nation is receiving the best value for the dollars spent.

We must continue to enlist sufficient numbers of qualified individuals into the Guard and Reserve and must continue to fund the recruiting and retention programs and training bonus programs to assure continued success. Particular care must be taken to insure that money is provided to the bonus programs—particularly for those skills in which there remain critical skill shortages.

There is a misperception that skills which are short in the Active Components are available in the Guard and Reserve. The Guard and Reserve are mirrors of the Active Components with many of the same shortages and problems. Like the Active Components, we must use incentives in the Reserve Components to enlist and retain critical skills.

PRETRAINED INDIVIDUAL MANPOWER

The Board reported extensively on the IRR shortfall as part of its annual readiness assessment report. This is an area of continued concern to the Board as it feels that there is more reliance on the response of the Individual Ready Reserve (IRR) and Inactive National Guard (ING) than can be warranted. The continued slow growth and overall inadequate numbers of members in the IRR/ING make the problems manifold. The following are the major concerns of the Board.

Strength levels are well below wartime requirement.

Show rates which may be unrealistic are programmed by the Services.

Authentication of addresses, skills, available clothing, and readiness (to say nothing of willingness) to respond is suspect.

The strength levels in the IRR must be increased substantially if it is to meet its wartime mission. A reduction of any kind to the Active Component strength will have a long-term adverse effect on IRR accessions, thereby increasing an already serious manpower problem.

In the fiscal year 1981 readiness report, the Board made an analysis of the shortfall of individuals possessing combat specialities. Based upon one scenario which focused only on one war, on one front, the shortages of combat skilled individuals at "M" Day ranged from 355,000 to a high of 550,000.

HEALTH CARE PERSONNEL SHORTFALLS

The shortages continue in other categories. Of most serious concern to the Board is the desperate shortage of health care personnel. These shortages are across-the-board in all fields today—now—in peacetime.

A preliminary study of this area for the Board's forthcoming fiscal year 1982 readiness assessment report convinced the Board that steps must be taken now to prepare for the medical demand which will result from a mobilization. In the report, the Board recommends to the Secretary of Defense that Selective Service registration of physicians and other health care providers in critical categories be required.

There is no provision in existing law for the registration of health care personnel. Further, there is no central, master file on individuals in most health care occupations nor is there a clear definition of the categories within the health profession career field that might be needed upon mobilization.

The Board recommends that the following steps be taken immediately to correct a serious deficiency:

Enact legislation which requires members to health care occupations to register with the Selective Service System. Such legislation would include specific categories of physicians, surgeons, skilled medical technicians, and other such credentialed classifications as may be determined by the Services and the Assistant Secretary of Defense for Health Affairs. As part of this process, it is further recommended that the Director of Selective Service be empowered to cross check the registration process with various governmental license issuing or governing agencies.

Design such legislation to provide incentives for members of the health care occupations to volunteer for service in lieu of being inducted.

Create a master file of health care personnel which is extensive enough to categorizthe serious shortages which now exist. Among programs which could be considered would be financial grants and periods of active duty to attend in-service schools and other professional programs.

Establish an Individual Mobilization Augmentee (IMA) program for medical personnel which includes funding for "continued health education" in military related subjects in return for the individual's immediate availability in the event of a mobilization.

After extensive study, the Selective Service estimated that registering health care personnel at this time will reduce computer programming, forms preparation, registration and induction response time by as much as two months. This estimate may be conservative depending on how many categories of health care personnel should be identified and included in the resource pools.

There is a great deal of inconsistency in the available data from the Services and within the Office of the Secretary of Defense on the requirements and availability of health care personnel. This problem was highlighted when the Board's staff was attempting to gather and compare infomation for the fiscal year 1982 readiness assessment report. We recommend that more accurate data be gathered on the wartime requirement and current levels of health care personnel available within each Service in order to project accurately the shortfall as it exists.

GENERAL OFFICER ACCOUNTABILITY

I shall next address a matter of concern to the Active as well as the Reserve community—the issue of General Officer accountability.

As this Subcommittee is aware, an extensive study has been made by OSD of the overall issue of General Officer accountability against numerical ceilings. The Guard and Reserve are drawn into the problem by virtue of those few active duty positions presently occupied by Reserve Component General Officers. For the most part, these positions have been created by Congress in order to permit the Reserve to administer and manage their own components.

Part of the OSD recommendation was the elimination of Congressionally mandated minimum grades applying to these Reserve Component statutory positions and to authorize Secretary of Defense to determine the appropriate grade. This provision carries with it the possibility that a Secretary of Defense could reduce the rank level below that now mandated by law. This provision deeply concerned many in the Reserve community in general and the various Reserve and Guard associations in particular, all of whom joined to vigorously oppose the OSD proposal.

On the positive side, the OSD proposal would make the few active duty Reserve General Officer positions non-accountable against the active duty list, as Reserve Offices below General Officer rank on active duty are not now accountable under the new DOPMA law. Legislation was proposed late in the 97th Congress to resolve this issue, to include a provision in S. 1906 proposed by you, Mr. Chairman, but there was insufficient time for the proposed legislation to be considered.

The Reserve Forces Policy Board urges that the Congress immediately pass, as separate legislation if necessary, the removal of all Reserve Component General Officers and positions from Active Component General Officer accountability. The "grade issue" can be dealt with at a later date as part of an overall, comprehensive General Officer legislative package.

It is the belief of the Board that if Reserve Component General Officers are removed from the Active Component accountability, there would be less incentive to eliminate Guard and Reserve statutory minimum grades and minimum grade would become a non-issue. Congress was specific in its intent that the Reserve Component officers assigned to the specified statutory positions be of a grade which is comparable to their Active Component counterparts. This provision has been met. Increased grade levels for Reserve Component Officers is not the issue—the issue is accountability. Reserve Component General Officer positions should not be counted within the Active Force and/or against the total General Officer complement on active duty. The Board urges Congressional action on this issue at the earliest possible date.

RESERVE CHIEF ENHANCEMENT

The Board has long supported programs and initiatives which place the command and control of the Reserve Components in the hands of Reserve officers. We wish to applaud the efforts of the Congress over the past two years to achieve some enhancements in the role of the Reserve Chiefs. We believe, however, that requests of the Services to voluntarily enhance the role of their respective Reserve Component Chief are falling on deaf ears in some Components. The Board, therefore, once again urges the Congress to look at this issue and to put more teeth in the provisions for command and control of the Reserve Components by suitable amendments to Public Law 90-168.

It has become all too apparent that the Congress must give the Reserve Chiefs responsibility not only for normal control and fiscal planning matters, but also control over resource expenditure, all resources in general, and personnel management systems. Eventually (and with no disrespect to the present incumbents for whom I have the highest personal and professional regard), the Reserve Chiefs should all be Reserve Officers—a situation which does not exist today in the Navy and Marine Corps Reserve. Furthermore, the Chiefs must be allocated the manpower and other resources to build a properly integrated staff consisting of statutory tour positions, Reserve and Active officers to generate the high degree of combat readiness required of our Reserve Components by existing war plans.

The Board continues to urge Congressional action in this area.

U.S. COAST GUARD RESERVE

From this testimony it might appear that the Board is concerned only with the Reserve Components within the Department of Defense. Congress must have perceived that possibility and made a specific provision within the law for Board membership of a Coast Guard Flag Officer. This provision has permitted the Board to look at all Reserve Components.

The Board has expressed concern in the past with regard to Coast Guard funding and manning levels. Once again, the Board must voice its concern to Congress about the impact on mobilization readiness created by the failure of the Coast Guard Reserve to grow to the needed levels. Though the Coast Guard Reserves' total requirement is small relative to the other Reserve Components, its role in mobilization is critical.

The Coast Guard Reserves' primary mission on mobilization is to provide port security forces. Such forces must be trained and immediately available for assignment to the nation's key ports. These ports are essential to strategic mobility of deploying military forces, their resupply, and to the continuation of essential maritime commerce for the nation's industrial and economic base.

The fact is that the current Coast Guard Reserve manning level of 12,000 is just over half of the stated total required Reserve force. Expressed another way, unless higher manning levels are approved and funded, many essential ports, commercial or industrial waterways and waterfront facilities may be unprotected and thus vulnerable to accidental, intentional or international disruption of operations during a mobilization crisis.

It is important to note that the Coast Guard Reserve is the only Reserve Component which has been called into federal active duty since the Vietnam War to serve during an emergency—the influx of refugees and "boat people" to our Florida coast. These Reservists played a vital role in this necessary humanitarian and coastal security role—often at great personal sacrifice. The demand for immediate response by the Coast Guard and their Reserve will be no less should this country face a similar crisis in the future or the prospect of a mobilization.

The Board urges the Subcommittee to review this problem and to encourage and support legislation to authorize an increase in the manning levels of the Coast Guard Reserve to wartime levels and to direct funding for these increases.

GENERAL TOPICS

I will conclude with a few brief statements of position by the Board on various topics of concern to this Subcommittee. These views represent a consensus opinion of the members of the Board and do not necessarily reflect the official opinion of the Department of Defense, any other department or agency of the United States Government, or individual members of our Board.

Selective service registration.—The Board has long supported and continues to support the registration of young men with the Selective Service System. The media often focus attention on the numbers which have not registered and yet the compliance rate of the draft eligible population of 97.9 percent is an excellent achievement. We urge the Congress to continue registration and to fund the necessary Board, training and operational activities of Selective Service.

The Reserve Force Policy Board remains concerned that manpower levels for mobilization are far below those required. There can be no doubt that if this country were to find itself in a position where the application of military force were necessary, the immediate response of Selective Service induction is essential.

100,000 call-up authority.—The Vietnam conflict taught this nation many hard lessons. Not the least of these lessons is the need to have the support of the American people if we are ever to employ our forces in combat. Today, the Guard and Reserve are essential elements of the Total Force. There cannot be any sizeable combat operation without mobilization of the assets in the Guard and Reserve.

The Board is of the belief that one way to assure full and open debate on any application of force is to require the involvement, support and concurrence of Congress. We believe the current 100,000 personnel level is adequate to meet immediate response requirements, is compatible with our history as a republic, and conforms to the concerns of the Congress and the nation. We recommend this level be maintained and not increased.

CONCLUSION

In my testimony before you this year I have tried to address issues and concerns for the future of the Guard and Reserve.

I look forward to the continued close working relationship with you, Mr. Chairman, and the Subcommittee's staff. We are anxious to serve and to support any program which will enhance the readiness of the Guard and Reserve and better prepare them for service should they ever be needed.

Thank you for this opportunity to speak before you. I will now be pleased to answer your questions.

Senator **JEPSEN**. Thank you, General Conti.

General Zink.

General **ZINK**. I have no additional statement.

Senator **JEPSEN**. General Conti, I appreciate the thorough explanation you present in your written explanation about the extensive planning that must precede a substantial transfer of active duty missions to Reserve Forces. I am interested in your personal opinion on this important issue.

Do you believe the current mix is in balance?

General **CONTI**. I think in view of the mission of the Active Force with their commitments in various areas, that any decrease in the Active Forces at this time would be harmful to our national defense. I think in the future, Mr. Chairman, that as we mentioned earlier in the discussion with Senator Warner, I think that the Guard will have to increase with the demographics.

I think that Dr. Korb said the Army—I mean, the Active Forces would increase 9 percent. I think the Reserve Forces are programed to increase 13 percent, and I think in view of those demographics eventually this Nation will have to go to more Reserve participation.

Senator **Jepsen**. You point out in your written statement that your Board has long been concerned over the large shortfall in the IRR, the Individual Ready Reserve. What does the Board believe should be done to correct this problem?

General **Conti**. Sir, that is one that I think they have kicked around for a long time, to be very honest. There have been a lot of solutions proposed. If we reduce the Active Forces, I think in the long run we reduce the opportunity to build up the IRR. I think some of the incentives of recruiting into the IRR, I would rather see that go into the Regular Forces than the Selective Forces.

I guess I am saying in essence I know it is a problem. We all know it is a problem. but we have not come up with the right answer yet.

Senator **Jepsen**. One last question. In your opinion, what are the most significant disincentives for joining and remaining in a Reserve unit?

General **Conti**. Last year, we thought equipment. I think today it is a combination of equipment and training, and training is a situation where if we can get the proper equipment, if we can get the money to make the annual training go to the proper schools, I think that is probably the biggest deterrent. If we can overcome those problems with more equipment and better training, I do not think we will have a problem of keeping these people in the Reserve.

Senator **Jepsen**. Do you think that is more likely to come about with a management structure that is changed?

General **Conti**. Yes, sir. Yes, sir.

Senator **Jepsen**. I thank you, General. Your statement was complete in detail. There will be an opportunity for questions from my colleagues on this committee to be submitted to you for the record. Would you have objection to that?

General **Conti**. No, sir.

Senator **Jepsen**. Do you have any closing statement or any other statement for the record?

General **Conti**. No, not other than again thanking you for the opportunity to appear before you.

Senator **Jepsen**. Thank you for the work you have done on this.

General **Conti**. Thank you for your support, sir.

Senator **Jepsen**. And all you have done in the past. I read your history and your résumé of your activities with the military and in fact other careers. You have a very distinguished history. It is exciting to read, from combat to football coach, a little bit of everything. Thank you very much.

General **Conti**. Thank you, sir.

Senator **Jepsen**. Dr. Coffey, I welcome you to the hearing. Your statement will be entered into the record as if read. Dr. Coffey, you may proceed, if you will introduce your partner.

STATEMENT OF KENNETH J. COFFEY, ASSOCIATE DIRECTOR (MILITARY) FEDERAL PERSONNEL AND COMPENSATION DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY MR. BONANNO

Mr. Coffey. Fine, Senator Jepsen.

I would like to introduce Mr. Bonanno, who has been responsible for a great deal of work we have done in the area of manpower problems in the Reserves. We have devoted resources to this issue at GAO because we are concerned with the level of management attention. We feel the Guard and Reserve have been given ever increasing responsibilities, but that there has not been a corrolary commitment of management concern and resources.

And we feel that much more time, attention, and money must be put in this arena if we are to have a viable Reserve Force. I have a summary of the statement that you were so kind to put into the record. I will quickly summarize it.

Senator, in our view, the generally positive characteristics of the Reserve Forces which we have heard others express today represent a far brighter picture than is indicated by the results of various work we have done at GAO. While they pointed out successes in increasing their manning levels, we have noted that if we go to war today, there would be severe manpower shortages, with the Army Guard and Army Reserve in particular having problems. Further, these problems would be more severe in certain occupations than others.

For example, in the Army Guard, while they report overall manning of about 90 percent, certain critical positions are filled in the area of only 75 percent or below. This is a significant problem.

We have also looked at their Selective Reserve incentive program, which awards bonuses for services in these skills. Unfortunately we have noted that too much of the money has gone to persons with noncritical skills in low priority units, and we think this money could be better spent.

Another area we have devoted a lot of time and attention to is the area of pretrained manpower, and we share the concern that you expressed earlier and the concern expressed by your other witnesses. Specifically, we are concerned about not only the individual skill shortages within the IRR but the whole question of retrainability and usability of skills. There is a great deterioration in abilities of individuals as time goes by. Recognizing that the need for people in the pretrained manpower pools is critical in the early weeks following mobilization, it is critical that they have needed skills. Yet, the Army has not determined the degree of deterioration in technical skills, the amount of retraining necessary to keep those skills proficient, or initiated any progam to address the skills issue. We think it is critical that this issue be addressed.

We have also noted that the services are planning to recall retirees to supplement members of the IRR and that the problems of retirees, their skill deterioration, and the absence of refresher training for them are unresolved issues. In total, only about 2 percent of the IRR receive any kind of refresher training. No members of the retiree pool receive any, and this whole area deserves very major consideration.

We are also concerned with some of the planning estimates the services use for the numbers of IRR members and retirees who would report for duty on mobilization. Because in past mobilizations, illnesses, personal commitments, travel, absences, deaths, and other reasons have delayed or invalidated the reporting of Reserve personnel, it is critical that the services develop the most accurate forecasts possible for knowing who will report upon mobilization. We looked at this and found that the estimates are not scientifically established. They have not seriously considered reporting delays, skill mismatches, nor do they recognize the impact on reporting rates of differing political scenarios which could prompt mobilizations.

We have also looked at and have criticisms of the Army's training base. This is not new. We have been reporting on this, as have others, for several years, but the problems are still there. They are problems of an absence or shortage of training personnel on mobilization, an absence of qualified training personnel, shortages of training companies, and shortages of training equipment. Steps are being taken to address these problems, but progress has been ever so slow over the several years during which this has been a recognized problem.

Another area that would adversely impact on the use of the Reserves in mobilization is the influx of conscripts from the Selective Service System. We have noted a great loss in address accuracy in their registration lists. We also have noted the potential for the system not being able to contact people quickly when needed, and the threat of having major legal class action lawsuits because of this inability. Such actions could, as it did in certain parts of the country in the 1970's, shut down the Selective Service System, at least in its early weeks following mobilization.

We also have looked at and noted problems with the Army's Capstone program, which is a program to better integrate the Army Reserve Forces units with their gaining commands in Europe. There is supposed to be an identification and great flow of information, and they simply are not doing it well. Much more can be done.

Equipment limitations also have been mentioned. We have looked at this. We have also noted that the absence of adequate equipment is directly impacting on the caliber of the training that the Guard and Reserve units are receiving. Until we address this problem, it would be foolish to expect that we would get upon mobilization well trained reservists, who have been adequately trained on modern equipment, and who would be ready to join the Active Forces on quick notice.

In conclusion, Mr. Chairman, we believe that extremely important responsibility has been given the Reserve Forces, but that it has not been matched with a level of concern, money, and management attention needed to equal that responsibility. I hope that before we move toward giving even more responsibility to the Reserves, we recognize we have existing problems within the Reserve Forces, and we address and eliminate them. I think this can be done, but as was required for the Active Force, management attention, money, and time will be necessary.

Thank you.

[The prepared statement of Dr. Coffey follows:]

PREPARED STATEMENT OF DR. KENNETH J. COFFEY, ASSOCIATE DIRECTOR, FEDERAL PERSONNEL AND COMPENSATION DIVISION

Mr. Chairman and members of the subcommittee, it is a pleasure to appear before you today to present our views on several important issues concerning the manpower capabilities of the Reserve Forces.

Because these Forces have been assigned one-half of wartime nonstrategic combat and two-thirds of combat support and combat service support missions and, in the event of conflict, will deploy with the Active Forces, their status and capabilities in the event of mobilization—of prime concern to this committee—also have been subject to a series of reviews by GAO.

According to the Department of Defense (DOD), the Reserve Forces represent a body of highly trained and highly skilled professionals whose capabilities have resulted in their full integration into the contingency requirements of the Total Force. In addition, DOD has noted many improvements that have been made in other aspects of manpower mobilization capability.

In our view, DOD's characterization of the Reserve Forces and its manpower mobilization capability represents a far brighter picture than is indicated by results of work we have performed. In sum, we have found that there are critical personnel shortages, that there are uncertainties about the performance capability of pretrained individuals who will be called to fill these shortages and replace casualties, that there are uncertainties concerning how many reservists will report when needed upon mobilization, that the ability to expand the training base to train the influx of new personnel upon full mobilization is severely constrained, that large numbers of old addresses in Selective Service files could complicate the administration of a draft, and that the training of Reserve Forces units is adversely affected by the lack of mission-related information and equipment shortages.

CRITICAL PERSONNEL SHORTAGES

The first issue we believe merits discussion concerns the degree and significance of personnel shortages. While DOD has pointed to its recent successes in increasing personnel end-strengths, nonetheless, if this country were to go to war today, there would be severe manpower shortfalls.

The Army National Guard and Army Reserve are particularly short of their wartime manpower requirements. As of September 1982, these units needed about 67,000 additional personnel. Furthermore, these shortages were more severe in certain occupations than in others. For example, although Army Reserve total assigned strength was at 84 percent of requirements in June 1982, there were critical occupations which were filled at only 71 percent. Likewise, in the Army National Guard, total assigned strength, as of May 1982, represented 90 percent of requirements, but occupations designated critical were filled at only 77 percent.

The Army's Selected Reserve Incentive Program is supposed to be used for reducing such personnel shortages, and it is Army policy to target incentives to high priority units and critical skills. Notwithstanding, we found that over one-third of the incentives awarded in fiscal year 1981 went to persons with noncritical skills in low priority units.[1] Although the Army has taken some positive steps to improve the targeting of its funds, recent changes to eligibility criteria have not completely insured that incentives are being directed to the most critical needs.

While expenditures for this program have increased fourfold between fiscal years 1979 and 1982, the Army has not determined the degree to which the program is reducing personnel shortages in essential units and skills or its cost-effectiveness. As a result, it is difficult, if not impossible, for you to decide whether the program should be expanded, modified, or cancelled.

PROBLEMS WITH PRETRAINED INDIVIDUALS

The second issue which merits discussion concerns problems with the pretrained manpower pools. As we know, because of manpower shortages, prior military service personnel, mostly Individual Ready Reservists (IRR), must be immediately available as fillers for understrength units and as replacements for casualties during the early days of a full mobilization before newly trained enlistees or inductees are available. While DOD has expressed a serious concern about a severe shortage of such pretrained individuals, we believe that there also should be a similar concern about the wartime performance capabilities of those who will be available, particularly in light of skill deterioration and the absence of skill refresher training.

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[1] "Army Incentive Funds Need More Effective Targeting To Reduce Critical Personnel Shortages," GAO/FPCD-83-10, March 2, 1983.

Moreover, in the Army, these problems are compounded by abnormally large shortages of individuals with critical skills.[2] The most significant shortages are concentrated in combat arms and medical skills. To give you some indication of the shortfalls, in November 1982, they ranged from 30 percent for air defense artillery to 82 percent for medical personnel.

To attract persons to critical skill positions in the IRR, the Army recently tried a direct renlistment program (which committed individuals only to initial active duty training and periodic refresher training) and a reenlistment bonus program (which provided a $600 bonus for each reenlistment). Both programs fell considerable short of achieving goals. Yet, DOD has submitted proposals to authorize bonuses up to $1,000 for direct enlistments and up to $900 for reenlistments. The Army has requested this authority, despite the fact they have not determined whether the limited training undergone by participants in the earlier direct enlistment program has been enough to maintain skill proficiencies. While the Army plans to evaluate the proficiency of those who enlist in the new direct enlistment program, we believe that the proficiency of those who participated in the earlier program needs to be verified and considered by this committee before a new bonus is authorized.

To supplement available members of the IRR upon mobilization, some services have established plans for recalling retirees. For example, the Army plans to recall 100,000 retirees (under age 60) back to active duty under full mobilization.[3]

Although there is no disagreement over the long-term usefulness of recalled retirees, there are uncertainties about whether they—as well as members of the IRR—will be able to perform required tasks within the critical early days of a mobilization. DOD recognizes that without periodic training, military skills will deteriorate over time; yet about 98 percent of IRR members do not receive periodic refresher training and there is no premobilization training for retirees.

In addition, the Army has not completed studies on how soon and to what extent skills possessed by IRR members and retirees will begin to deteriorate. Of more immediate concern, however, is the fact that the Army has not finalized an IRR refresher training program for those skills it will require in the first 30 days of mobilization.

Because of the uncertainties surrounding the Army's development of a comprehensive refresher training program, we view DOD's proposal to increase the military service obligation from 6 years to 8 years with apprehension. Since the extension would generally increase the time personnel serve in the IRR, we believe that the proposal should be approved by this committee only if there is a corollary plan to provide the training essential for maintaining members' skills, Further, while the services' have the authority to impose involuntary refresher training, their reluctance to do so on the grounds that involuntary training would be incompatible with the current All-Volunteer Force environment would compound this problem.

UNCERTAINTIES CONCERNING RESERVISTS REPORTING RATES

The accuracy of the service estimates of the numbers of IRR members and retirees who will report for duty upon mobilization also is an area of concern. Because illnesses, personal commitments, travel, and other reasons have delayed or invalidated the reporting of Reserve Forces personnel in past mobilizations, it is critical that the services develop the most accurate forecasts possible for reporting rates of Reserve Forces personnel in any possible future emergencies. Nonetheless, we found that the Army's estimates were not scientifically established, had not seriously considered the impact of reporting delays and skill mismatches, and did not recognize the impact on reporting rates of differing political and public opinion attitudes toward the call-up decision. In our view, periodic surveys which collect current and historical objective data on member availability would improve this process, the results of which are critical to acceptable mobilization planning and preparation.

TRAINING BASE LIMITATIONS

DOD's ability to train those new enlistees and inductees who, in the event of war, will be needed to sustain and expand the force also is an issue of concern. While the

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[2] Personnel Problems May Hamper Army's Individual Ready Reserve In Wartime, GAO/FPCD-83-12, Jan. 31, 1983.

[3] "Army's Ability To Mobilize And Use Retirees As Planned Is Doubtful," GAO/FPCD-83-6, Oct. 15, 1982.

Navy, the Marine Corps, and the Air Force do not anticipate any substantial problems in adjusting their training bases to handle projected mobilization training increases, the Army faces a number of serious problems. Since 1979, we have issued three reports on this issue. Our most recent report found that the same problems reported previously still exist: that is, in the event of mobilization, there will be shortages of training personnel and many of the available personnel will be unqualified. In addition, there will be shortages of training companies and equipment.[4]

The Army estimates that, primarily because of equipment shortages, it has the capacity to accommodate only about 70 percent of the personnel it needs to begin training within the first 30 days following mobilization. This problem becomes more severe as the days following mobilization increase. For example, the Army estimates that it has the capacity to accommodate only about 50 percent of the personnel it needs to begin training within 180 days following mobilization.

The Army's Inspector General made recommendations for correcting base expansion problems in a recent confidential report. Some corrective actions have been initiated in response to these recommendations; however, it is too soon to tell whether improvements in the training base will result. In view of this and the fact that over 3 years have elapsed since we first reported training base problems, we believe the Congress should closely monitor the implementation of plans developed by the Army for correcting these expansion problems.

PROBLEMS IN PROVIDING CONSCRIPTS

The flow of conscripts from the Selective Service System to the Army following mobilization also is an area of concern. Specifically, undelivered or late draft notices could impede the service's ability to rapidly provide inductees to their assigned military bases during the early days of a mobilzation bacause of potential class action law suits challenging the fairness of induction processing.

In a review of the currency of registrant mailing addresses, we found that about 85 percent of the persons who moved after registering in 1980 did not notify the Selective Service of their mailing address changes.[5] As a result, address information for between one-fifth and two-fifths of the registrants in the prime induction group—those to be called first in the event of an emergency—could be outdated.

We believe the number of incorrect mailing addresses could be minimized by an expanded registrant communication program. If such a communication program is not successful, conducting a time-limited registration just before the prime year of susceptibility—the year during which registrants reach age 20—may be a solution. This would minimize the elapsed time, during which registrants might move, between the registration date and the date of induction orders.

NEED TO BETTER MANAGE TRAINING

The last issue we believe that merits discussion concerns weaknesses in current Reserve Forces training programs.

The Army's Capstone program is designed to align all Guard and Reserve units under gaining-commands (those commands which will employ Reserve units in wartime) and provide units with detailed information concerning their wartime mission. This information is to be used to improve wartime planning and ongoing training.

Although the Army has taken steps recently to improve Capstone management, the present management system does not provide the authorities in Europe and the Continental United States with the information needed to properly manage the program and to determine whether implementation is progressing satisfactorily.[6] The present system has obscured the fact that many units had not been contacted by their gaining-commands, and some units had not received the required training and planning guidance. Improving the management system so that implementation progress can be properly monitored and corrective actions can be promptly taken as problems arise is essential to assure that training is properly focused. Otherwise, Reserve component units may be wasting valuable training time.

Equipment limitations also are impacting on the training of the Reserve Forces. According to recent estimates about $7 billion would be needed to adequately equip the units, and the absence of this expenditure is causing training-related problems.

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[4] "Army's Ability To Expand Training Base Upon Mobilization Remains Limited," GAO/FPCD-83-2, Feb. 2, 1983.

[5] "Failure of Registrants To Report Address Changes Would Diminish Fairness of Induction Processing," GAO/FPCD-82-45, Sept. 24, 1982.

[6] "Problems in Implementing the Army's Capstone Program To Provide All Reserve Components With A Wartime Mission," GAO/FPCD-82-59, Sept. 11, 1982.

For example, 17 percent of National Guard and Reserve units nationwide recently reported that equipment shortages had a major or serious adverse impact on their training.

Further, Army officials do not know the full extent of this problem, nor do they consider training requirements when distributing equipment to Guard and Reserve units. In view of the significant number of units whose training is affected by equipment shortages, we believe the Army needs to address this issue on a priority basis.

In conclusion, Mr. Chairman, we believe that the extremely important responsibility which DOD has given to the Reserve Forces has not been matched with a level of concern and management attention that is needed to equal that responsibilty. The six manpower issues which we have discussed are highlights of this. Nonetheless, they are critically important issues which require this committee's attention and resolution. Until this is done, there can be no assurance that the Reserve Forces will possess the manpower capabilities which are vital to our national security.

Senator Jepsen. Mr. Bananno, do you have any comment?

Mr. Bonanno. No, sir. I have nothing to add.

Senator Jepsen. You paint a rather bleak picture of the IRR. What should be done in the short term to correct the most critical deficiencies in the IRR?

Dr. Coffey. We certainly need to know better what is available in the IRR in terms of specific skill capabilities, and specific willingness to serve on short notice in the event of mobilization. Movements are under way in this direction, but a lot more has to be done.

Senator Jepsen. How do you measure that? I have had some concern about the bonuses we hand out front end-wise in all areas. Certainly we had one, maybe we still do, in the IRR, now.

Dr. Coffey. We looked at that and noted it had marginal impact on manning. There was also and there remains some question about the usefulness of those who are enlisted in the Guard and Reserve through such a bonus. These are individuals who receive basic military training and then obligate themselves to serve in the Guard and Reserve thereafter for the remainder of their tour. Their practical experience and training is very limited.

Senator Jepsen. Yes. How would you measure the willingness of someone to serve in the event things are—how do you measure that? How would you test it?

Dr. Coffey. We must first recognize that they do have a legal obligation, either under the intitial military service obligation or the acceptance of a voluntary extension. So you are talking about the ability of people to avoid that obligation, and it must then be discussed in the context of what would be legitimately acceptable reasons.

In past mobilizations, local commanders have had authority to excuse or delay people, because of family pressures and other concerns. I think there has to be a firm commitment on the part of the command structure to enforce the letter of the law with very rare exceptions, and if this word is communicated and accepted, I think you will greatly diminish the number of those who would delay or attempt to avoid reporting.

Senator Jepsen. You stated they had great problems in the area of information and being able to track them and so on. Is that just because in our mobile society that we have today people moving a lot? Could we administratively, with all our computer technology, do a better job than that?

Dr. **Coffey**. Certainly it is an area in which we can do much better. It is possible to keep track of these people. The concern I mentioned in my statement of skill deterioration and the need for periodic refresher training is critical to this, that if we really kept these people involved, if we kept them involved through correspondence courses, through voluntary refresher training programs, perhaps even considered involuntary training for which there is legal authority, we would at least have control over this resource, and a lot more assurance of what is there and what it would do in the event of a mobilization.

Senator **Jepsen**. Would you provide for the record a complete list of recommendations so that we can have those as we develop our authorization bill? I would like a complete list of recommendations, the perfect solution to solve all of these problems, from you. [General laughter.]

I mean this very seriously. You are bringing up things, for example—we are going to move along here, but we could visit a long time. I am curious. What are some of the critical positions? You say there are some critical positions, that even though the Guard says it is, you say there are critical position shortages in many instances, some that are only 75 percent full. What are some of these critical positions?

Dr. **Coffey**. They are, unfortunately, the same positions critical in the Active Forces, the highly technical jobs, such as in the medical field and in combat arms. What is unfortunate about this is, not only does it compound the overall problems of mobilization, but there is no ready source of trained people who are not already affiliating with Reserve units, who are leaving Active Forces who could be tapped. You really have to create new supplies of qualified people.

Senator **Jepsen**. You also made another statement I might pursue briefly. That is, what is this planned recall of retirees? I heard you mention that.

Dr. **Coffey**. Yes.

Senator **Jepsen**. That is news to me.

Dr. **Coffey**. For many years, the services have noted that there are not enough people in the IRR to meet their mobilization needs. They have been looking for other sources of what they call pretrained manpower that could be recalled to active duty immediately following a mobilization with ready skills who could fill positions prior to the influx of newly trained conscripts and volunteers. The Army in particular has come up with a program of supplementing the recall of Individual Ready Reservists with the recall of recent retirees, and they have an active program of notifying these retirees indeed, giving them specific assignments they would go to in the event of a mobilization.

Senator **Jepsen**. So this is in a planning, positioning stage. You are not actually recalling retirees at this time?

Dr. **Coffey**. At the moment, but it is a contingency plan that would be put into effect in the event of a mobilization.

Senator **Jepsen**. One last question, and I have many others. I do appreciate your very candid report. It is obviously an informed one, and I look forward to the recommendations you will make in all areas.

Dr. COFFEY. Fine, Senator. You will have them.

Senator JEPSEN. You know, in 1980 we initiated the assignment of full-time Active duty personnel to Guard and Reserve units, the purpose, of course, being to enhance the units' readiness. Has the GAO reviewed this program to determine whether or not it is achieving its objectives?

Dr. COFFEY. We have reviewed in depth the Army's program and their efforts to determine whether or not it is enhancing readiness. What we have found is that there are a lot of opinions among people in the Reserve community that the program is of value. However, we have found no direct evidence, nor have they, that the added manning has improved readiness. They have a study underway in the Army National Guard which we are impressed with. We feel that perhaps within the year, if they complete this on schedule, we will all have a better insight into this question.

Senator JEPSEN. Very interesting. Do you have anything else at this point in time for the record?

Dr. COFFEY. No, Sir. We look forward to providing for the record the input you have requested.

Senator JEPSEN. I thank you, Dr. Coffey. I look forward to seeing you again when the subcommittee addresses the pay and compensation issues.

Dr. COFFEY. Yes, sir. I look forward to it.

Senator JEPSEN. Thank you very much.

Dr. COFFEY. Thank you, Senator.

Senator JEPSEN. At this time we have the final panel of Major General Roberts, Major General Greenlief, Captain Coleman, and Master Chief Thomas. Is there anyone else?

[No response.]

Senator JEPSEN. I repeat again, gentlemen, your written statements will be entered into the record as if read. You may now proceed with your statements. I welcome and thank you for the work you have done to date and the work you will do.

General Roberts, you may proceed.

STATEMENT OF MAJ. GEN. J. MILNOR ROBERTS, AUS, (RETIRED) EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION

General ROBERTS. Mr. Chairman, it is again a pleasure to appear before this subcommittee. In the interest of time, I would like to highlight our entire statement, and present some comments on each service in turn, starting, however, with the Office of the Secretary of Defense. I think it was stated more than once earlier this afternoon that the Department of Defense is intensely interested in shoring up the Reserve. That is fine, except when you look at the percent of the budget allocated to the Reserve components, which is a straight line. Every other major portion of the defense budget has increased, but not the Guard and Reserve, which is about 5 percent.

I would suggest to you that if just 1 percent of the defense budget were added to that 5 percent, that would be a 20-percent increase in the resources available to the Guard and Reserve, which would make an amazing difference from what it has been.

Also, in my general comment, I strongly advocate that the position currently filled by Dr. Philbin, which is Deputy Assistant Secretary of Defense, be upgraded to the position of Assistant Secretary for Reserve Affairs on the same level with Dr. Korb. Obviously, we think highly of Dr. Korb. This is no reflection on him. But that office now, with Manpower, Reserve Affairs and Logistics, has responsibility for roughly 70 percent of the defense budget, and commensurate responsibilities, and we feel that is a little too much.

In view of the fact that Reserve and Guard Affairs should get more attention, we think it deserves an Assistant Secretary, and I believe there is now a bill introduced in the Senate to that effect, which we would ask you to entertain a hearing on one of these days in the near future.

With regard to the Army Reserve, we believe that it is the height of folly to maintain the requested strength levels for 1984 as 1983. Earlier, you heard General Berkman testify that he had 300,000 for wartime mobilization. The request is for 251,000 for 1984, which is the same as 1983. We feel that this is unacceptable in today's environment with recruiting possibilities. We recommend the number be changed to 260,000, which would be a modest increase for 1984.

Also, we feel that the Assistant Chief of Staff for Personnel should be asked a question about the quality of recruits for the Army Reserve which are currently lower than the National Guard or the active Army. We think this needs some attention.

Also, we would ask your attention to the proposal to give Army Reserve officers on contract tours the same consideration they get in the Air Force, and that is, if they are promoted, they should be allowed to accept that promotion while on active duty.

Mr. Solomon, in the House, has introduced such a proposal, and we think it should receive favorable consideration. With regard to command control, we feel that the testimony earlier of Dr. Philbin is most appropriate. The Chief of Army Reserve and the Chief of Air Force Reserve should both be functional managers. Currently, the Chief of Air Force Reserve is a functional manager, but the Chief of Army Reserve is not. We feel it is not enough to suggest a move in this direction for the Army. We believe that it will be essential to amend Public Law 90-168 to spell out how the chiefs of these Reserve components should be given the responsibility for functional management. That is not to say they must be a mirror image. I do not know that it is absolutely necessary for the Chief of Army Reserve to duplicate the function on the air side, but he should certainly have the functional management of his resources, including the finances, personnel management, a strong impact on the equipment side, and other aspects of seeing that the Army Reserve moves from a rather weak position of readiness to a stronger position.

We also feel, and it was commented on earlier by, I believe, the GAO, that the Capstone program, while it is a good concept, is not working as well as it should. The reason for that is, at the rate provided for overseas training for reserve personnel, it will take 13 years before you have all Reserve units experience their rotation. That is not enough, once every 13 years.

And finally, with regard to the Army, we applaud the effort of the Army to increase the full-time manning which we believe, even though it may not be documented, certainly will increase their readiness, but we would suggest that the technician program be allowed to continue as it is, because it certainly has been very effective in the past, and we would advocate that the technicians be continued, but a full-time AGR manning be increased, which I think is compatible.

With regard to the Navy, we are glad to see the Navy has requested an increase to 99,744 for the Selected Reserve. However, they need 124,000 by the end of 1987, and we believe that 99,744 is not enough. We would like to see this committee come up with a recommendation to achieve an end strength of 110,000 for the Naval Reserve by the end of fiscal year 1984 which would give you an average floor of 105,000, and this would be exclusive of the TAR's and the IMA's who are now being counted, and Dr. Korb referred to that.

That is not quite kosher. If someone would take a look at the law, these people should not be counted in the Selected Reserve.

When we are talking 110,000, we are talking exclusive of the TAR's. We would also like to see your support for a supplemental pay bill to restore 3,500 spaces to the Naval Reserve which had to be eliminated by Admiral Dunn because he simply did not have the money to pay them. And this was because of contraints on fiscal arrangements for 1983. That should be done early on.

The Marine Corps is doing great, as you heard the general testify earlier, and we applaud their success. We support their end strength request, and we feel that from a personnel point of view, they are in as good shape as anyone in the Reserve components.

The Coast Guard, unfortunately, is not in good shape, as you heard Admiral Irwin testify earlier. They presently have no more than 55 percent of their wartime requirement even authorized. They are pretty close to filling up about 98 percent of the 12,000 they have, but the administration has requested a straight line for 1984, in other words, another 12,000. Well, that is not good enough.

We suggest that that be increased by 1,200 or 10 percent to 13,200 for the Coast Guard, and certainly within the next 5 years that number should move up to 16,000 or 17,000, which would be closer to their presently established requirement of 22,000 for mobilization purposes.

Air Force Reserve personnelwise is doing very, very well as we heard earlier. We support that request for 69,800. We would like to point out that the Air Force Reserve accounts for just 7 percent of the personnel budget of the Air Force, but provides 25 percent of the Air Force's capability. They are getting quite a good value for the taxpayer.

There is one area we would comment on, and that is, the technicians of the Air Force should be listed under a separate line item on the full-time Reserve manpower table. The reason for that is, if there are proposed cuts in civilian personnel across the Defense Department, we do not want those technicians in the Air Force or elsewhere to be cut at the same time, because it is a different ball game.

And, as I mentioned earlier in response to a question from Senator Warner, we do believe that significant savings could be achieved for the Air Force if more hardware could be transferred to the Air Force Reserve in the form of C-141's and C-5's. The crews are there. The maintenance people are there. It would be a very minor disturbance to in fact achieve that. And with increased requirements of the Air Force in other areas, it is quite possible the Air Force might approve of such a move themselves.

Finally, with regard to certain other items, we continue to recommend that the committee consider favorably covering reservists on portal to portal hazards of health when they are going for their training. This was a bill which very nearly succeeded in going through last year, and we would recommend your attention again this year.

We are also very concerned about the constant but seemingly endless inroads into retirement benefits for the Active Force and the Reserve, and we would suggest this. Before the administration takes a position on cutting military retirement benefits, there should be an oversight committee from the Congress to take a look at this before they go very far down the track.

Tying in somewhat with the retirement community, we would recommend that commissary privileges be extended to those people in the Reserve community in the gray area who have lived long enough to qualify for their retirement benefits but have not lived long enough to get them.

In other words, the average person retiring at age 52 will not get commissary privileges until he is 60 years old. We should take a look at that. We should also broaden out access to the commissaries through the year for members of the Selected Reserve on the basis of one per month instead of once a year, 12 days. It would not take too much to do that.

The medics have been discussed. We suggest that extra pay be awarded to Reserve medics as is now awarded to Active Force medics. This will help solve the problem of the medical shortage.

Thank you very much.

[The prepared statement of General Roberts follows:]

PREPARED STATEMENT OF MAJ. GEN. J. MILNOR ROBERTS, AUS (RETIRED), EXECUTIVE DIRECTOR, RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

Mr. Chairman and members of the committee, it is a pleasure to appear before this committee once again, and on behalf of the Reserve Officers Association, I wish to extend our thanks for this opportunity.

In past years we have recommended Congressional action to provide strong support for Reserve Components as an economical way to maintain adequate armed forces in a dangerous world. That philosophy is just as valid today, and the wisdom of action along these lines is now obviously apparent.

As Secretary Weinberger stated in remarks to the Interallied Confederation of Reserve Officers in August, 1982: "We can no longer consider Reserve Forces as merely forces in reserve. We think, instead, they have to be an integral part of the Total Force both within the United States and within NATO." He added, "It's clearly incumbent upon us to provide the Reserves the training and the equipment that they require to accomplish their mission. * * * Without adequate equipment, Reserve Forces can be neither credible nor effective in combat and we in the United States are making particular efforts now to insure that our Reserves and our National Guard units are equipped with the latest of tanks and weapons, planes of all kinds."

Unfortunately, the 1984 Defense budget submitted by the Administration, fails to match the sentiment expressed by Secretary Weinberger. Funding requested for Reserves is the only major portion of the defense budget which shows no increase over 1983. This means a net reduction, in real terms, since there will be some inflation, however modest.

Such a policy makes absolutely no sense when it is well known that Reserve Forces are the most economical source of units when they are properly equipped and trained. At a time when the Defense Budget is under heavy attack, it would appear to be appropriate to increase reliance on Reserves and that means providing them with appropriate personnel strength authorizations, adequate full time support, and Reserve leadership who have sufficient authority to function as managers of their respective components.

We believe the time is past due to elevate the position now filled by Dr. Philbin in the Defense Department to be Assistant Secretary of Defense for Reserve Affairs. The present structure centralizes too much responsibility in the position of Assistant Secretary for Manpower, Reserve Affairs, and Logistics. We feel that given the constantly increasing dependence on Reserves, that element should be represented at the Assistant Secretary level. We also believe that Dr. Philbin has been doing an outstanding job for the Reserve community, but he is handicapped by operating at a level inconsistent with the importance of the role of Reserve Components.

Subsequent sections of my statement will address the requirements of the given branches of United States Reserve Forces.

THE ARMY RESERVE BUDGET—FISCAL YEAR 1984

The Congress has been requested to provide $2.103 billion in obligational authority to fund the Army Reserve's programs in fiscal year 1984. The following chart compares the Army Reserve budget request for fiscal year 1984 with obligations for the last two years.

[In millions of dollars]

	Fiscal year—		
	1982 actual	1983 estimate	1984 request
Reserve personnel, Army	1,071	1,247	1,387
Operations and maintenance	666	705	663
Military construction	65	42	53
Total program	1,802	1,994	2,103

ARMY RESERVE PERSONNEL STRENGTH

Although the Army Reserve's total Personnel End Strength statistics shown below reflect a nominal increase of some 4,400 for fiscal year 1984 over fiscal year 1983, analysis of the composition of the component categories of personnel shows that the Army actually has frozen paid drill strength in fiscal year 1984 at the fiscal year 1983 level. Full-time active duty personnel to assist in organizing, administering, recruiting, and training the Army Reserve, will increase by 2,413 in fiscal year 1984, while an increase of 2,118 over fiscal year 1983 is requested in the IMA category.

RESERVE PERSONNEL, ARMY—END STRENGTH

	Fiscal year—			Increase (decrease)
	1982 actual	1983 estimate	1984 request	
Paid drill strength	242,921	251,680	251,545	(135)
Active duty strength	5,894	8,251	10,664	2,413
Individual mobilization augmentees (IMA)	7,844	8,600	10,718	2,118
Total	256,659	268,531	272,927	4,396

With the Army Reserve 50,000 short of wartime requirements, ROA believes it is false economy for the Army to freeze the strength of the Selected Reserve in fiscal year 1984. Further, there currently is a favorable recruiting market. With annual salary costs of an Army Reservist amounting to only 25 percent of that of an Active Component soldiers, ROA recommends that the Congress significantly increase the fiscal year 1984 paid drill end strength of the Army Reserve. This increase, if offset Army-wide, would be cost beneficial, upgrade the quality of soldiers in the Army Reserve and enhance mobilization readiness.

ROA strongly supports the Selected Reserve Incentive program established by Congress to improve Reserve Components enlisted strength and readiness. The program in fiscal year 1982 resulted in 10,757 enlistment contracts with new soldiers channeled into high priority units and into critical MOS's. ROA believes that the Congress should continue to support this two-pronged bonus/educational assistance program which attracts qualified applicants who upgrade the readiness status of Army Reserve troop units, while at the same time increasing the retention of high caliber soldiers.

RECRUITING

In testimony before the Congress, LTG Maxwell Thurman, Deputy Chief of Staff for Personnel, expressed satisfaction with the high academic quality of the soldiers being recruited into all components of the Army, as shown in the following chart:

PERCENTAGE OF HIGH SCHOOL GRADUATES RECRUITED

	Fiscal year—		Increase
	1981	1982	
Active Army	71.0	86.0	15.0
Army National Guard	63.7	68.4	4.7
Army Reserve	61.4	64.9	3.5

ROA agrees with General Thurman that combat readiness and the ability to meet the challenges of the modern, complex battlefield, depend upon talented soldiers. This is especially true for personnel in combat support and combat service support units which form the major part of the Army Reserve. The above comparative statistics portray a less than acceptable percentage of high school graduates in Army Reserve units. This short-fall of competent soldiers adversely affects the capability of the Army Reserve of upgrade readiness for mobilization. ROA therefore urgently recommends that this committee require Department of the Army to significantly increase the quality of the recruits for the Army Reserve.

PROMOTION OF ARMY RESERVE OFFICERS ON ACTIVE DUTY

Existing law precludes commissioned Army Reserve Officers who are promoted in the Army Reserve while serving on active duty (other than for training) from serving in the higher grade while on active duty. They must either leave active duty or accept an appointment in a temporary grade equal to the grade in which they were serving before the promotion. An Air Force Reserve Officer in a similar situation may be ordered to serve on active duty in the higher Reserve Grade to which he was promoted.

ROA's membership fully supports legislative action to correct this inequity. In that regard, the Senate Armed Services Committee introduced an amendment to the Uniformed Services Pay Act of 1982 (in Report 97-565 which accompanies S2936), which would amend section 3380 of Title 10 (applicable to Army Reserve Officers) so that it is similar to the provisions of section 8380 of Title 10, which is applicable to Air Force Reserve Officers.

Unfortunately, the Continuing Resolution Authority for 1983 did not contain this provision. ROA strongly recommends that a bill (HR-679) introduced by Representative Gerald Solomon (R-NY) be favorably considered and enacted.

COMMAND AND CONTROL STRUCTURE OF THE ARMY RESERVE

The Congress has shown an extraordinary degree of forbearance with Department of the Army's 15 year record of failing to implement the clearly expressed intent of Congress in Public Law 90-168 that the Chief Army Reserve should be the functional manager of his component, and under the Chief of Staff of the Army have control of funds and programs for the Army Reserve. Secretary of Defense James R. Schlesinger, expressed his understanding with the intent of Congress in a memo dated August 23, 1973, issued to the Secretaries of the Military Departments and Service Chiefs. In this memorandum, Secretary Schlesinger stated:

"The Chiefs of the National Guard and Reserve Components will *be the staff level managers* of the Guard and Reserve programs, budgets, policy, funds, force structure, plans, etc. *They will be provided with authority, responsibility and means* with which to accomplish their functions effectively. The overall management responsibility of the Chiefs of the Selected Reserve, under the Service Chiefs, will be supported by all other appropriate staff agencies." (Emphasis added.)

He prefaced this remark with the following:

"At the military level, the Navy has been given specific guidelines for developing the new Office of Chief of Naval Reserve. The Air Force and Marine Corps management structure has produced combat readiness and that is the vital task. I expect that the Army's reorganization, with strong command emphasis and good selection of leaders will produce demonstrably visible improvement and I shall follow the results with interest."

Similar interpretations of Public Law 90-168 have been rendered by others, including Senators Stennis and Thurmond and various Congressmen.

Finally, in December 1982, and only as a result of specifically directed pressure exerted by the Congress, the Secretary of the Army informed the Congress that the nine Army Readiness and Mobilization Regions would be eliminated. It would, however, be necessary to activate two additional Continental US Armies (CONUSA's) to decrease the present over-extended span of control problem. It is interesting to note that far from relinquishing responsibilities to the Army Reserve, this solution, after 15 years, actually increased the day to day Command and Control of the Army Reserve by the Active Component.

In a subsequent memorandum to the Senate Armed Services Committee, the Secretary of the Army announced a list of enhancements to the position of Chief, Army Reserve.

There is a very positive improvement to the CAR's role as a functional manager in the first enhancement which establishes a discrete office, reporting directly to OCAR, with responsibilities for IRR, IMA and AGR personnel management functions, including maintenance of individual MOS qualifications in accordance with priorities and programs established by FORSCOM. It would also include personnel management counseling for members of TPU's.

The other changes made also to varying degrees enhance involvement by the CAR in programs for which he, as budget manager, is responsible. However, the enhancements still do not begin to fulfill the changes needed to make the CAR the functional manager of the programs he must defend and support before the Congress.

To finally implement the 1967 mandate of Congress, ROA strongly advocates a management structure for the Army Reserve that would assign to the staff of FROSCOM headquarters, and each of the CONUSAS and appropriate major Army Headquarters, a USAR Selected Reserve General Officer with existing AGR Staff. These officers would be directed to gather and provide the CAR with the functional data required to fulfill his responsibilities. We believe this approach is both cost beneficial, and because it uses the existing structure, will minimize turbulence and avoid the concerns of the active component with possible fragmentation of command responsibilities in the Army.

THE CAPSTONE PROGRAM

The CAPSTONE program has proven to be a most beneficial Army initiative. The program aligns Reserve Component units based on United States Army Europe's wartime requirements in order to develop a methodology that permits Active Component and Reserve Component units to train and plan in peacetime with the command they will deploy and fight with in wartime. This single initiative has focused training on wartime mission and has certainly improved Reserve Component readiness. We at ROA are very much concerned that this most important training program and others such as the scheduled Gallant Eagle Exercises which develop readiness to the sharpest degree, will be endangered by restricting the level of training travel funds needed to realistically implement the programs. To our knowledge current travel funding supports CAPSTONE training for some 235 Reserve units in fiscal year 1983. At this rate it would take thirteen years for each unit in the Army Reserve to train once under the CAPSTONE program. ROA urges the Congress that travel fund levels for training support be significantly increased in fiscal year 1984 so that each unit has the opportunity to train with its active component unit at least once every three years. For those units with a Rapid Deployment Force mission, this readiness training should be budgeted anually.

FULL TIME UNIT SUPPORT PROGRAM

The fiscal year 1984 RPA budget includes a request to fund an end strength of 10,664 full-time active duty personnel to assist in organizing, administering, recruiting and training the Army Reserve. This represents a sizeable increase over the 5,894 full-time active duty personnel on board in fiscal year 1982 and the 8,251 programmed for fiscal year 1983. ROA shares the concerns of the Congress with the many problems that have surfaced during the implementation of the full-time support and manning program.

The military technician RIF's that were scheduled last year, and then aborted, double slotting in TO & E units, full-time assignments to TO & E units of people who would not deploy with the unit on mobilization, assignments without consultation with the unit commanders, and the absence of a realistic career management program for the full-time personnel, are just some of the problems symtomatic of a program that sorely needs top level DA attention on a priority basis. ROA, supports the wise course mandated by the Congress to control tampering with the military technician program. This oversight function should be maintained and cost effectiveness and increased unit readiness should be the justification factors for implementation of this vital program.

NAVAL RESERVE

The Naval Reserve has continued to make remarkable strides during the past few years. These improvements cover the entire spectrum of strength, equipment, readiness and training. The approved plan for "horizontal integration" of new first line equipment into the Naval Reserve truly represents a break-through for any Reserve Component. However, most impressive of all has been a continuation of the attitude change by the Active Navy towards the Naval Reserve—"One Navy" appears well on the way towards reflecting a meaningful relationship and no longer represents the hollow phraseology which many of us observed for too many years. This remarkable turnaround can be attributed to the knowledgeable and dynamic direction being provided by Secretary Lehman; the outstanding leadership and strong support of the CNO Admiral Watkins; and the strong and consistent emphasis by the Congress concerning effective utilization of Reservists.

The administration proposal to attain 99,744 Selected Reservists (Category A) by the end of fiscal year 1984 certainly represents a significant break-through over the consistency of many years of strength reduction proposals. In fact, this number represents the first meaningful increase in Selected Reserve strength contained in a presidential Budget submission in recent memory. Previous growth and avoidance of reductions have generally been as a result of Congressional initiatives. The current Navy plan calls for a Category A Selected Reserve strength of 119,923 by the end of fiscal year 1987, an increase of over 20,000 from the plan submitted last year. A truly remarkable and amazing turnaround from just a very few years ago. The Navy is to be commended in the strongest of terms for the recognition, acceptance and support being provided to their Reserve Component.

Nevertheless, ROA is concerned that the proposed growth for fiscal year 1984 is insufficient. Currently, NAMMOS indicates a requirement for approximately 124,000 selected Reservists by the end of fiscal year 1987. The current strength is in the vicinity of 93,000; accordingly, a growth of about 31,000 will be required to comply with OSD guidance directing all services plan to meet mobilization manpower requirements by the end of fiscal year 1987. Informal discussion indicates that Naval Reserve managers believe that a Selected Naval Reserve strength of 110,000 could probably be attained by the end of fiscal year 1984 without any sacrifice in quality. Certainly, the current economic situation has a favorable impact on military recruiting—both active and Reserve. Accordingly, ROA recommends that Congress authorize the Selected Naval Reserve to take advantage of today's economic conditions and increase to an end strength of 110,000 exclusive of IMAs and TARs by the end of fiscal year 1984, and further that a manyear average floor of 105,000 be established.

ROA concurs fully that quality should never be compromised for quantity. In no instance should personnel whose skills are not required for mobilization be brought into the Naval Reserve merely to reflect increased strength. Nevertheless, ROA believes that the Navy should move boldly towards planning to meet the stated NAMMOS requirements. To this end, however, merely authorizing and funding increased numbers may be insufficient. Many of the requirements are in medical related fields which are extremely difficult to fill. For example, Naval Reserve medical requirements are expected to grow from 6,000 at present to over 17,000 by fiscal year 1987. Expansion of the training base and development of incentives to attract needed, but scarce skills should be thoroughly explored.

Mr. Chairman, you may be aware that the Naval Reserve has approximately 5,000 personnel drilling in a non-pay status, (4279 officers and 723 enlisted as of 31 December 1982). These personnel are meeting 90 percent drill requirements and most are in non-pay units which are working alongside similar Selected Reserve Units, performing the same mission. The people are pretty much ignored in the fiscal year 1984 Budget request and, for that matter, have been similarly ignored for years. In the early seventies, 2,900 of these personnel were authorized training duty annually. By 1976 that number was greatly reduced. 350 personnel in this category will receive Active Duty Training in fiscal year 1983. The fiscal year 1984 budget request provides training duty for 612 persons ($1.174 million) is this category. In view of the fact that thousands of non-drilling IRR personnel from other Reserve components are authorized annual training duty with pay, ROA considers it unconscionable that over 4,000 Naval Reservists possessing valid mobilization assignements cannot perform training duty with pay even though they are attending at least 90 percent of all scheduled drills without pay. Accordingly, ROA strongly recommends that a total of $10 million be authorized for Training Category "D" so that these Naval Reservists may perform annual training duty with pay.

One final item of concern pertaining to the Naval Reserve. I realize that this committee is considering the fiscal year 1984 budget request. However, in the execution of the fiscal year 1983 budget, an unexpected problem concerning Selected Naval Reserve strength has occurred. The Chief of Naval Reserve has been forced to direct a reduction in strength of the Selected Reserve from the January 1983 level in order to remain within funding available. This reduction occurred as a result of several factors: (1) increased recruiting and retention results beyond expectation; (2) increased participation in IDT and ADT beyond that budgeted based on 5-year average; and (3) Congressionally imposed requirement that each service absorb 25 percent of the military pay raise.

Approximately 3,500 personnel have been dropped from drill pay status. Although some were poor or marginal performers, the majority are satisfactorily performing high quality personnel and have been transferred into VTUs. (These would be in addition to the 5,000 noted above as drilling without pay.) Such action, occurring at a time when the Naval Reserve has regained much credibility and is steadily moving towards increased strength levels, is most disturbing. It sends signals and creates turmoil that can do nothing but adversely affect future recruiting and retention efforts.

Accordingly, ROA strongly urges members of this committee to support or initiate supplemental funding or direct a Navy reprogramming of necessary funding in order to regain those 3,500 personnel to the Selected Reserve as soon as possible. The money involved is relatively small, approximately $5 million. However, immediate action is required so that the Naval Reserve may continue uninterrupted its efforts to grow towards mobilization requirements in an orderly and sustained manner.

MARINE CORPS RESERVE

As has been the case for the last two years, the Marine Corps Reserve manpower requirements appear to be well provided for in the fiscal year 1984 budget request. As General Olmstead testified earlier before this committee, most problem areas have been addressed and corrective action provided for in the budget request.

ROA compliments the Marine Corps on their continuing recognition of the Reserve contribution and on their consistent support of the Reserve component. The Marine Corps Reserve Budget has reflected real growth every year since fiscal year 1978, including an average real growth of 1.6 percent contained in the fiscal year 1984 submission. Such consistent support unfortunately has not been evident in many of our other Reserve Components throughout the past several years. This support has enabled the Marine Corps Reserve to meet and usually exceed the OSC Program Guidance. Accordingly, ROA strongly urges approval of the requested Reserve Personnel funding which will support an increased fiscal year 1984 Marine Corps Reserve Selected Reserve and strength of 43,365 (average strength 40,300).

Certain grade and skill shortages continue to be of concern in the Marine Corps Reserve. Continued shortfalls prior service recruiting are a major contributor to the problem. Initiatives have been undertaken by the Marine Corps which would ameliorate many of these problems. Accordingly, ROA strongly urges approval of the increased exercise funding requested for the Marine Corps Reserve in fiscal year 1984. We concur with General Olmstead that such funding will support more realistic and challenging Unit training and, as a result, attract and retain many of the skilled personnel currently missing.

As in the other Reserve components, however, Congress must provide additional incentives for Reserve recruiting and retention if such problems are to be truly solved. As a matter of information, the Marine Corps Reserve recorded a dramatic increase (almost 250 percent) in first quarter fiscal year 1982 reenlistments resulting from a Congressionally directed increase in the education bonus from $2,000 to $4,000. Concomitantly, enlistment and reenlistment bonuses have been insignificant incentive factors—due primarily to insufficient amounts and requirements to prorate over the enlistment period.

ROA concurs with General Olmstead's expressed concerns about adverse manpower impacts resulting from the use of aging Reserve Training facilities and equipment. These issues will be addressed to the appropriate subcommittees.

COAST GUARD RESERVE

During the last few years, I have detailed before this committee the concern of ROA over the state of the Coast Guard and Coast Guard Reserve. While the Department of Transportation fiscal year 1984 Budget Request for the Coast Guard is a significant improvement over fiscal year 1982 and 1983 submissions, it nevertheless is essentially a level effort request. While it proposes no reductions, neither does it contain any significant improvements. Concern remains about the readiness of the Coast Guard to carry out effectively its wartime mission. GAO Report, PLRD-82-98, issued on August 18, 1982, (a copy of which was provided to this committee) reflects this concern stating that, "Our review . . . disclosed several problems which raise questions about the Coast Guard's ability to successfully carry out its ongoing peacetime missions and to assume additional ones to support Navy operations in wartime." Recent military mobilization exercises, including Nifty Nugget, Proud Spirit, and Proud Saber have repeatedly shown serious deficiencies in Coast Guard personnel, equipment and training capabilities. Since no significant budgetary measures have apparently been initiated to remedy these deficiencies, the Reserve Officers Association recently adopted a resolution (ROA resolution 83-4) urging that the Secretary of Transportation request and allocate sufficient resources to the Coast Guard budget to promptly eliminate the military readiness deficiencies of the Coast Guard as cited in the General Accounting Office's Report to the Secretary of Transportation on the Readiness of the Coast Guard, and by October 1, 1983 to "present a time-phased plan to Congress to implement the necessary changes and adjustments to the size, organization and structure of the Coast Guard", as recommended in the GAO Report. (A copy of this resolution is attached for information).

In previous testimony, we concluded that the Coast Guard and Coast Guard Reserve were not fully prepared to meet their statutory military duties as prescribed in 14 U.S.C. 1, which provides for the Coast Guard to be ". . . a military service and branch of the armed forces of the United States at all times." Unfortunately, this unsatisfactory situation apparently still prevails.

The current Transportation Secretary, Mrs. Elizabeth Dole, has publically and privately expressed strong support for the Coast Guard. While her time in office has been too short to generate new support initiative, we in ROA are encouraged by this apparent change in attitude at the Department level. Historically, however, support for the Coast Guard at DOT and OMB has not been strong and, for whatever reasons, there were those who appeared to be promoting the eventual demise of the Coast Guard. At this time, it is obviously too early to determine if a substantive change in attitude has, in fact, taken place. Even though this committee is not responsible for active Coast Guard authorization, I am sure that all members share our concern over an area that is within the scope of your jurisdiction—military readiness.

Accordingly, we solicit your support in joining with other Members of Congress in the maintenance of a Coast Guard which is fully manned, trained and equipped to meet its peacetime and wartime missions.

Additionally, ROA has recently discussed with various members of the SASC, the inclusion of the Coast Guard Commandant as an annual witness before the full committee and/or before appropriate SASC subcommittees.

While the Commandant testifies annually before various Congressional Committees, none have direct responsibility for monitoring the military readiness of the Armed Forces as do the Armed Services Committees.

Accordingly, we believe that such testimony concerning the military and mobilization readiness of the Coast Guard is absolutely essential to the determination of its ability to contribute adequately to national security.

Therefore, I request the support of the members of this subcommittee in scheduling Admiral Gracey as a SASC witness starting with your current hearings on the fiscal year 1984 budget.

This committee is directly responsible, however, for the sizing of the Coast Guard Reserve. In the on-going problems surrounding the Coast Guard, generally, very little is mentioned about the Reserve. The aforementioned GAO Report did, however, comment at length about apparent deficiencies in Coast Guard Reserve logistical support and training. I strongly commend this report to your attention if you have not already been provided a copy. As we have noted numerous times, the Coast Guard Reserve is essential to the accomplishment of the Coast Guard's port security mission, a critical mission which, according to most national security authorities, is the primary mobilization responsibility of the Coast Guard.

ROA is concerned, however, that the administration proposes that the Coast Guard Selected Reserve strength for fiscal year 1984 remain at 12,000, its current authorized and funded level. I suppose this is progress of a sort since last year the administration, inexplicably requested a reduction of 1,300 in Selected Reserve strength—to a level of 10,700. This proposal was so outrageous on its face that it was totally rejected by the Congress. As a matter of information, in fiscal year 1982 Congress authorized the first increase in Coast Guard Reserve strength in over 10 years, albeit a small one of 300 man years, bringing it to its current strength of 12,000.

It should be realized that the current Coast Guard Reserve strength level of 12,000 represents only 55 percent of its wartime requirements. In comparison, the other Armed Services Reserve Component are authorized at a strength approaching 90 percent of mobilization requirements. Additionally, the Secretary of Defense has directed that all Services bring their Selected Reserve Components to 100 percent of mobilization requirements by the end of fiscal year 1987. That effort is well underway in the Army, Air Force, Navy and Marine Corps. However, such guidance has obviously made no impact in Coast Guard planning, whatsoever. Certainly the Coast Guard does not belong to the Secretary of Defense and is, therefore, not bound by his guidance. Nevertheless, their mobilization requirements are no less real.

Recognition of this fact should result in DOT cooperation in attaining DOD objectives as they pertain to mobilization readiness of the Armed Forces.

Mobilization of both the Coast Guard Selected Reserve and the IRR will still result in a deficit of at least 6,000 people short of the 22,000 mobilization requirement. Further, while this requirement is currently undergoing review, every possible indicator reflects a real requirement significantly higher than 22,000. Since this number hasn't changed in over ten years, a higher requirement certainly appears logical. Accordingly, ROA cannot concur with a budget submission which requests no growth whatsoever in Coast Guard Selected Reserve strength.

ROA strongly recommends that, as a minimum, the Coast Guard Selected Reserve strength be increased to 75 percent of current stated requirements—16,500; and that a target date for attainment of this strength as 30 September 1986. ROA further recommends that the fiscal year 1984 Coast Guard Reserve authorization be increased by 1,200 to a level of 13,200—a level which we believe to be reasonably attainable. It is understood that the Coast Guard budget submitted to DOT included a Selected Reserve increase of 500 to a level of 12,500. Even that modest increase was eliminated at either the DOT or OMB level. Such action appears to reflect a complete misunderstanding or disregard on the part of the department for the statutory role of the Coast Guard as an Armed Force and contributor to national security.

The military readiness of the Coast Guard and the Coast Guard Reserve must be increased—neither permitted to diminish nor to remain at a level below that required. Both are absolutely essential to the successful implementation of the concept of rapid deployment and strategic mobility. We must, as a nation, recognize the contribution of the Coast Guard and Coast Guard Reserve to our national defense.

In accordance with our Congressional Charter, to insure adequate national security, the ROA is advising this committee that the Coast Guard and the Coast Guard Reserve must be recognized as an armed force. Further, that they must be provided with fiscal support commensurate with the other armed forces and at a level adequate to effectively carry out their lawful mission, both in peace and war. No less can be accepted.

[Resolution No. 83-4 (Coast Guard)]

RESERVE OFFICERS ASSOCIATION OF THE UNITED STATES

MILITARY READINESS OF THE U.S. COAST GUARD

Whereas, recent and repeated Congressional studies have indicated serious deficiencies in the United States Coast Guard's military readiness; and

Whereas, the General Accounting Office's Report to the Secretary of Transportation on the Readiness of the U.S. Coast Guard specifically identifies three particular continuing readiness problems;

(a) difficulties in assigning the Coast Guard wartime tasks to support Navy operations and in developing viable plans for carrying out the tasks;

(b) readiness problems which impair peacetime operations and which would affect Coast Guard performance of wartime missions; and

(c) a need to better coordinate the Coast Guard's port security wartime mission with other Federal agencies and to improve the peacetime Reserve training program and planning for the logistical support of the Reserves at mobilization; and

Whereas, the Department of Transportation statement on the GAO report details current efforts to meet the deficiencies cited in the GAO report but does not propose significant new initiatitves or increased allocation of resources to improve Coast Guard readiness; and

Whereas, recent military mobilization exercises, including Nifty Nugget, Proud Spirit and Proud Saber, have repeatedly shown the the same serious deficiencies in Coast Guard personnel, equipment, and training capabilities and no budget corrective action has been taken to remedy these deficiencies;

Now, therefore, be it resolved that the Reserve Officers Association of the United States urges the Secretary of Transportation to request and allocate sufficient resources to the Coast Guard budget to promptly eliminate the military readiness deficiencies of the Coast guard as cited in the General Accounting Office's Report to the Secretary of Transportation on the Readiness of the Coast Guard, and by 1 October 1983 to "present a time-phased plan to Congress to implement the necessary changes and adjustments to the size, organization, and structure of the Coast Guard", as recommended in the aforesaid General Accounting Office Report.

Adopted by the National Council, 23 February 1983.

J. MILNOR ROBERTS,
Major General, AUS (Retired), Executive Director.

AIR FORCE RESERVE

The Air Force Reserve has achieved new levels of strength and readiness during the past year. In fiscal year 1982 it attained an end strength of 64,443 versus a programed 63,736. Quality again increased with 96 percent of all non-prior service enlistments high school graduates. The efficiency of the Reserve recruiting program as well as the dedication of all Reserve members is reflected in this accomplishment.

In fiscal year 1984 an end strength of 69,880 is requested, a 5 percent increase over fiscal year 1983. This reflects the military personnel requirements for aircraft modernization and additional units. It is gratifying to note that the Air Reserve forces provide nearly 25 percent of all Air Force flying and support mission capability with only 7 percent of the budgeted military personnel dollars. With the current pressures on the Defense Budget, it is obvious that the Air Reserve forces are a real bargain in the total force.

The Air Force Reserve is not only cost effective, it is a combat ready, fighting force. Exercises during the past year have again proved that all Air Force Reserve units can be mobilized in 24 hours and deployed within 72 hours. With the exception of three units converting to newer aircraft and three units being newly activated, all equipped flying units are combat ready.

The Air Force Reserve performs a full spectrum of meaningful missions. In fiscal year 1982 the AFR airlifted 41,385 patients, supported the airlift mission in the United States Southern Command, flew at least 70 percent of the hurricane reconnaissance missions in the Gulf of Mexico, as well as regularly participating in JCS and Major Command field training exercises. We are especially proud that AFR rescue and recovery units were officially credited with saving 81 lives.

Among the key personnel in maintaining mission unit readiness are the Air Reserve Technicians (ART's). These dual status individuals provide the day-to-day management and continuity of their units while performing in their civilian capacity. As military members of the units, they train other Reservists during active and inactive duty training periods. The high skill level and stability of these employees is critical in sustaining the Air Force Reserve's operational readiness. We are concerned that the manning of this crucial program will suffer if the Air Force civilian ceilings are lowered, since the technicians are included in these ceilings. With the unit conversions to more modern aircraft scheduled for fiscal year 1983 and 1984, it is essential that adjustments be made to accommodate the requirement for increased numbers to technicians.

In the Conference Report on House Joint Resolution 631 fiscal year 1983 Appropriations), concern was expressed by the conferees that proposed fiscal year 1983 conversions of military technicians to Active Guard Reserve (AGR) personnel was principally responsive to the requirement to reduce the number of civilian personnel to meet civilian personnel ceilings. The conferees further stated:

"It seems that a streamlined approach would remove military technicians from overall ceilings to permit the determination of appropriate mix for each component on the basis of cost effectiveness and combat readiness."

The Resere Officers Association believes that the most simple and effective way to achieve the objectives of Congress in this matter is to budget for military technicians as separate line items in the table of Full-Time Reserve Manpower. In this manner, management of this critical resources and of AGR personnel will be highlighted and not subordinated to overall civilian personnel ceiling objectives.

If in the interest of economy, the Congress determines a need to shift a portion of the total force from the active to the Reserve forces, we remind the Committee that 50 percent of the aircrews and 40 percent of the maintenance personnel for MAC's C-141 and C-5, strategic airlift aircraft are in Air Force Reserve associate squadrons. With this core of trained personnel, transer of C-141 or C-5 aircraft to selected AFR units could be made with minimal loss of combat readiness and minimal cost. Operating these aircraft in the Air Force Reserve would achieve significant savings in operating, personnel, and overhead costs.

Continued emphasis is required in recruiting and retraining qualified personnel in critical skills. The Air Force Reserve intends to concentrate the incentive programs authorized by Congress in this area. We thank the Committee for its support of these programs and solicit your continued approval.

In summary, the Air Force Reserve's wartime role continues to expand. With continued equipment modernization and successful recruiting and retention of the necessary people, the AFR will continue to be a fully responsive, combat ready force.

CONCLUSION

I'd also like again to bring to this committee's attention an item of concern which applies to all of our Reserve Components. ROA has noted for the past two years that, over unanimous service opposition, OSD had commenced incorporating full-time support personnel and Individual Mobilization Augmentees into the Selected Reserve numbers. Such action appears to be clearly in violation of 10 U.S.C. 268 and 270 which specifically define the Selected Reserve and direct participation in at least 48 scheduled drills and 14 days of ACDUTRA each year. In fact, the Navy Judge Advocate General has specifically opined that the OSD action is not in accordance with the law. Additionally, such procedure not only confuses all concerned by using existing terms for new definitions, but also artificially inflates Selected Reserve strength numbers thereby giving an erroneous impression of growth. OSD is still using this procedure and pointing to significant growth in the size of the Selected Reserve. Much of this announced growth is merely the result of changing the bookkeeping and should not be viewed as a significant growth in the "real" Selected Reserve. For example, various persons, including some members of the Congress were not aware that the Naval Reserve funded level remained constant for fiscal years 1982 and 1983 at 94,000. The general belief was that it had increased to 105,000. Only by specifically pointing out that the additional numbers reflected nothing more than the inclusion of IMA and full time support personnel was the actual situation realized.

In the House Armed Services Committee Report on DOD Authorizations 1983 (Report No. 97-482), DOD was directed to submit a report explaining and justifying this revised accounting procedure as part of the fiscal year 1983 budget request, but that DOD has not complied. The 1983 HASC Report again directed submission of such explanation and specifically cited items to be included by DOD. It is ROA's understanding that a DOD statement was eventually submitted but did not contain many of the items directed in the 1983 HASC Report. We further understand that

DOD considers the request answered and has no intention of replying specifically to the direction contained in your fiscal year 1983 report.

Such accounting procedures should be stopped, not only because of the apparent violation of statutory definition, but also because of the misleading impression of improved readiness resulting from such apparent strength increases.

While I have this opportunity, I'd like to briefly mention several other personnel items that ROA is interested in.

PORTAL TO PORTAL COVERAGE

ROA continues to support the need for legislation that would provide so-called "portal-to-portal" protection for drilling Reservists. As you know, should a Reservist become violently ill during a weekend drill, the Department of Defense is not authorized under current law to pay for his medical care. Should he be injured on his way to or from drill, again, he is not authorized military medical care. The inequity is readily apparent when you consider that an individual on Active Duty would be covered in the circumstances just described. We urge Congress to rectify the current situation and provide these Reservists the proper coverage that they deserve for carrying out their military obligations.

GI BILL

ROA also supports "GI bill" legislation which would improve quality and retention in both the Active and Reserve forces. We are particularly interested in legislation that includes educational benefits for Reserve service, such as those contained in Senator Armstrong's S. 691. We believe it is important to look beyond today's excellent recruiting statistics. When the economy starts to improve we'll have a recruiting problem. The benefits of a GI bill could help our Armed Forces—Active and Reserve—recruit and retain qualified personnel. We should not wait until the roof leaks again in order to fix it.

RETIREMENT

ROA is greatly concerned over the Administration's proposals to once again change the method by which military retired pay is adjusted to reflect the increase in the cost of living. You are well familiar with the background: the elimination of the 1 percent kicker which had been added to compensate for lost purchasing power; the reduction from two adjustments a year to only one with the individual retiree absorbing the loss that had occurred during the previous calendar year; the three year COLA reduction for retirees under age 62; and now the Administration proposes eliminating the COLA entirely next year for military and civil service retirees with no provision being made for a later catch up of lost purchasing power.

In addition to this proposal the Administration also wants to make permanent the 50 percent COLA cap for retirees under age 62, thus guaranteeing that the relative purchasing power of military retired pay will decline in the future. It has been estimated that the purchasing power of a typical Lt. Colonel retiring today would be reduced 40 percent by the time he reaches age 62. It should be noted that by law virtually no member of the military service, either Regular or Reserve, can stay until age 62.

Two other Administration proposals relating to retired pay, elimination of the lookback provision and the rounding-down to the lower dollar are probably justifiable in today's economic environment; however, I must point out that when combined with the two provisions I have just discussed they convey a loud and clear message to the entire military community, both active and retired, that our government will breach its trust, and after accepting service rendered will change the terms under which it compensates for that service. ROA believes that these proposals will have significant long range implications, especially in the area of retention, and that the hidden costs of tampering with the military retirement system on a piecemeal basis should be thoroughly evaluated by the appropriate oversight committee of Congress before any additional changes are made in the current retirement program.

HEALTH CARE PERSONNEL

As you are well aware, the 96th Congress enacted Public Law 96-284, which established special pay for Active Duty medical officers. This legislation is contributing significantly to the recruitment and retention of Health Care Professionals and thus helping to reduce the shortages in this professional service. Unfortunately, the special pay established in Public Law 96-284 for Active Duty medical officers did not include the health care professionals in the Reserve Components where critical shortages also exist. Similar legislation is needed for the Reserve Forces health care personnel to overcome serious shortages in all the Services and to enhance their mobilization readiness. ROA believes that a special pay incentive program similar to Public Law 96-284 for the Reserve Components would help overcome one of the greatest obstacles in the recruitment and retention of qualified health care personnel.

COMMISSARY PRIVILEGES

Reservists currently are entitled to commissary privileges for each day of active duty or active training duty periods of at least 72 hours. ROA favors modification of the commissary privilege so that drilling Reservists will be able to spread out their entitlement over the year (in the same manner that post exchange privileges are currently extended).

ROA also believes that retired Reservists who have completed 20 or more years of qualifying service, but who have not attained age 60, should be authorized commissary and exchange benefits while they wait to attain eligibility for retired pay. This would be a minimal-cost benefit and would properly reward these individuals for their devoted service to their country, rather than leave them in the "limbo" status they currently are in prior to attaining age 60. It is our opinion that these changes would be very attractive low-cost retention measures.

Thank you for the opportunity to appear before you. Your support for the men and women in uniform, Active and Reserve, is noteworthy and sincerely appreciated. I will be happy to answer any questions that you might have on these issues.

Senator **JEPSEN**. Thank you, General Roberts. As always, the ROA is informed, on guard, and ready to serve, and comes through with pertinent and candid observations and recommendations, as has been the hallmark of patriotism and diligence that that organization has demonstrated over the years. Thank you.

General **ROBERTS**. Thank you very much.

Senator **JEPSEN**. General Greenlief?

STATEMENT OF MAJ. GEN. FRANCIS S. GREENLIEF (RETIRED), EXECUTIVE VICE PRESIDENT, NATIONAL GUARD ASSOCIATION

General **GREENLIEF**. I will present a 5-minute summary of my statement. It includes comments on the current role of the National Guard, potential role of the National Guard, manpower and legislation.

With reference to the current role, recently Gen. John A. Wickham, the Vice Chief of Staff of the Army, said that in terms of NATO alone, over 350 Reserve component combat battalions and more than 2,000 Reserve component combat service support units will be required in the first 60 days of a European war, potential war.

Mr. Chairman, your subcommittee has specifically asked me to comment on the capability of the Army and Air National Guard to expand as a method of retaining maximum combat capability in the face of deep budget cuts. At the outset, let me say that the NGAUS does not recommend any reduction of the Active Army and the Active Air Force. We believe both forces are smaller than needed in the face of the Russian threat. However, in extremis, the cumulative effect of implementing all three of the Army alternatives which my statement addresses would be the inactivation of 10 active Army maneuver battalions, 8 field artillery battalions, and 8 active support battalions with a cumulative estimated strength of over 20,000.

On the Air National Guard side, the alternatives which we believe should be examined, rather than addressing the inactivation of units, addresses the avoidance of creating new units the size and number of which I am not able to estimate precisely.

On manpower, the programmed end strength of the Army National Guard fiscal year 1984 is 421,019, and the States and the National Guard Bureau have advised they can attain an end strength of 428,000. We believe the Army Guard should be permitted and encouraged to take advantage of the favorable recruiting environment that does exist while it exists.

LEGISLATION

Our association has established six bills that are highest priority. The highest priority is H.R. 1494, a bill designed to retain State control of the AGR. When Congress first started the full-time military program as an alternative method of providing full-time support personnel for National Guard and Reserve units, the Congress specified that National Guard personnel should serve under the authority of 32 U.S.C. 502(f), and the Department of Defense agreed.

The purpose of citing a section of title 32 was to insure State control of the full-time personnel of the National Guard, just as 32 U.S.C. 709, the National Guard Technicians Act, clearly places control of National Guard technicians in the hands of State adjutants general.

The Department of Army has now concluded that the full-time military personnel now called Active Guard and Reserve serving in the National Guard are on "active duty in the service of the United States." In our view, this action violates the militia clause of the U.S. Constitution, thwarts the whole purpose of title 32, flaunts the expressed intent of the U.S. Congress, and makes the AGR program in the Guard unworkable. The adjutants general stand with our association in unanimous opposition to the action of the Department of the Army.

H.R. 1494 is a very simple bill which simply defines active duty as excluding service under title 32. We urge your strong support. In addition, we urge support of the Veterans Educational Act, the medical care package of H.R. 1495, 1496, and 1497, and H.R. 486, a bill to establish an Assistant Secretary of Defense for Reserve Affairs.

Mr. Chairman, in my statement, I urge that you increase the authorized strength of the Army Guard. I discussed the role of the National Guard today, commented on the potential role of the National Guard, and I discussed and urge that you support six specific pieces of legislation.

Mr. Chairman, the National Guard has no desire to get well at the expense of the regular establishment, but we consider it necessary that we do get well if we are to fight, when, where, and as well as the regulars. Thank you, sir.

[The prepared statement of General Greenlief follows:]

PREPARED STATEMENT BY MAJ. GEN. FRANCIS S. GREENLIEF (RETIRED), EXECUTIVE VICE PRESIDENT OF THE NATIONAL GUARD ASSOCIATION OF THE UNITED STATES

Mr. Chairman and members of the subcommittee, I count it a privilege and a pleasure to present the views of the National Guard Association of the United

States on the National Guard program for fiscal year 1984. My statement will include comments on the following subjects:

Current Role of the National Guard.
Potential Role of the National Guard.
Manpower.
Legislation.

CURRENT ROLE OF THE NATIONAL GUARD

In past years, I have cited to this subcommittee the percentages of total Army and total Air Force combat capability which the National Guard provides and those percentages are truly significant. Recently, the distinguished Vice Chief of Staff, U.S. Army, summed it all up in a more impressive way. General John A. Wickham said: "* * * the total U.S. Army Force relies on the Reserves—Reserve components—for 46 percent of its combat power, and 70 percent of its combat service support. The U.S. Air Force relies on the Air Reserve components for 66 percent of the Tactical Air Command's interceptor forces, and 50 percent of the Military Airlift aircraft crews. In terms of NATO alone, over 350 Reserve component combat battalions, and more than 2,000 Reserve component combat service support units will be required in the first 60 days of a European war." Parenthetically, I point out that the 66 percent of TAC's interceptor forces are all Air National Guard and that most of the 350 battalions are Army National Guard.

Obviously, General Wickham does not consider D+60 to be a late deployment. Nor do we. We consider any unit which is expected to deploy to NATO in 60 days an early deployer. More than two-thirds of the total ARNG force is scheduled to deploy within 60 days, including seven of the eight ARNG combat divisions. Air National Guard flying units are scheduled to deploy in 48 hours.

However, there are those who, when allocating resources, seem to believe that D+60 units are late deployers and hence less deserving of resources. Unless we as a nation are prepared to return to the "short war philosophy," the Total Army force structure must be provided sufficient support to permit the accomplishment of wartime missions.

We of the National Guard are rightfully proud of the share of the Army and Air Force structure which we provide, but some of that force structure is more apparent than real. Administrations, Pentagon staffs, and Congresses have for years been planning for a war that occurs in the fifth year of a given POM cycle. The war we are more apt to fight is a war that starts tomorrow or a month from tomorrow. It is our view that the force structure on the day the war starts is not the force structure listed in the Pentagon's computers. Rather, it is the force than can be equipped by the day it is scheduled to deploy.

In our view, there should be no expansion of the total Army force structure until there is some real commitment to fully equip the existing structure.

The Air National Guard (ANG) is equipped and supported to fight now. Although two aircraft types are only marginally capable at best, the entire ANG fleet is equipped to fly and fight now. The Air Guard has great potential for expanding its combat capability without creating new units now.

POTENTIAL ROLE OF THE NATIONAL GUARD

Mr. Chairman, your subcommittee has specifically asked me to comment on the capability of the Army and Air National Guard to expand as a method of retaining maximum combat capability in the face of deep budget cuts. Before providing a direct answer to your question, it is essential that I make several specific statements:

The NGAUS does not recommend any reduction of the active Army and Air Force. We believe both forces are smaller than needed in the face of the Russian threat.

The NGAUS does not recommend an expanded structure for the ARNG until a solid commitment is made to fully equip the current ARNG force structure.

The NGAUS believes that if deep cuts are to be made in the fiscal year 1984 defense budget, the Army's equipment modernization program must be continued as a matter of highest priority.

The inactivation of active Army units with the reallocation of the mission of those active Army units to ARNG units will entail a loss of readiness which we have no way to calculate.

Nine of the existing 16 active Army combat divisions are rounded out with ARNG units. Four of those active Army divisions are organized with only two active duty brigades. The third brigade of each of the four divisions is organized in the National

Guard. Five active Army divisions are organized with at least one battalion organized in the National Guard and not on active duty. We believe it inevitable that alternatives must be seriously studied as part of the strategy to insure that the all-essential modernization of the Army is not cut back at this crucial moment in history. We do not necessarily advocate the following alternatives which might be studied in answer to the question raised by the subcommittee:

Expand battalion roundout to division roundout

The five CONUS-based active Army Divisions that are rounded out with one ARNG battalion each could be provided brigade-size roundout. This could permit the inactivation of 10 maneuver battalions, five field artillery battalions, and five support battalions with a total personnel strength of about 12,000. ARNG brigades already exist to accept the mission of the active Army divisional brigades thus eliminated. The equipment currently assigned to the active Army brigade could fully equip the ARNG brigade.

Round out additional CONUS divisions

Two active Army divisions, one airborne and one airmobile, currently stationed in the U.S. have no significant Guard or Reserve roundout. One brigade of each of these two divisions could be inactivated and two ARNG brigades could be designated to accept their missions. Equipment of the active brigades could be used to fully equip the two ARNG brigades. This alternative could permit the inactivation of six maneuver battalions, two field artillery battalions and two support battalions with an estimated strength of 5,200.

Korean roundout

One active Army division is stationed in Korea. One brigade of this division could be inactivated. An existing ARNG brigade could be designated to round out the division in Korea. The equipment of the active Army brigade could be retained in Korea in POMCUS-type storage.

The ARNG brigade could perform its annual training in Korea ala Reforger. This alternative could permit the inactivation of three maneuver battalions, one field artillery battalion and one support battalion with an estimated strength of 3,100. I believe that the cost of maintaining a brigade in Korea might offset the cost of transporting the ARNG brigade to Korea each year.

Cumulative effect

The cumulative effect of implementing all three of the alternatives would be the inactivation of 10 active Army maneuver battalions, eight field artillery battalions and eight active Army support battalions with a cumulative estimated strength of over 20,000. Maximum savings could only be achieved if some proportionate share of active Army supporting facilities and activities were closed, e.g., reduction of commissary, post exchange, medical, headquarters activities in proportion to active duty troop strength reduction per post.

Since the entire ARNG force structure is currently tasked for wartime missions, with some units tasked with multiple missions, the cumulative effect would be a reduction of the Total Army force structure. However, to the extent that unequipped force structure is used for round out, no reduction in usable force structure would occur.

Since the current Total Army force structure is inadequate for its mission, the ARNG brigades designated for round out missions should be replaced by newly created ARNG brigades. The cost of expansion would offset savings. It would take at least 3 years for the new brigades to achieve the level of readiness currently held by ARNG brigades.

If any or all of these alternatives were to be adopted, they should be acccomplished over a time-phased period to permit maximum planning and coordination and to avoid the travail of active force RIF's. First year savings would probably be mil. Long term savings seem possible, however, we are unable to reach a judgment that the long term savings would be worth whatever loss would occur in combat capability.

AIR NATIONAL GUARD

The Army alternatives dealt with inactivation of existing Army force structure. Therefore, we could count battalions and soldiers. The Air Force alternatives which we believe should be examined address the avoidance of creating new units, the size and number of which I am unable to estimate

Airlift

Seventeen ANG C–130 units are equipped with eight Primary Authorized Aircraft (PAA). Active Air Force C–130 units are equipped with 16 PAA. If eight aircraft were to be taken from eight ANG C–130 units and given to eight other ANG C–130 units this would increase the PAA of eight ANG units to 16 PAA. The consolidation of aircraft would free eight ANG C–130 units to accept C–141 and C–5A aircraft from Air Force units. The Air Force units could then accept new C–5B aircraft, thereby avoiding the need to create new units to fly the C–5B aircraft. To the extent that the C–141 and C–5A aircraft assigned to ANG units were required for MAC channel traffic, the ANG could fly the missions as it did during the Vietnam War.

Tactical fighter units

At end fiscal year 1983, there will be 33 ANG tactical fighter units. Twenty-five of these units are equipped with 18 PAA, although active Air Force units are equipped with 24 PAA. The aircraft of seven squadrons (7 × 18 = 126) could be distributed to 13 other squadrons. Thus, 25 squadrons would be equipped at 24 PAA, and seven squadrons would be free to accept new F–15's or F–16's, thus avoiding the necessity of creating new active Air Force squadrons. We understand that current programming calls for the activation of four new additional active Air Force wings in future years for the much-needed growth in fighter combat capability.

KC–135 tankers

We think that similar expansion might be desirable in the ANG refueling mission. However, the operational requirements of the KC–135 alert mission might negate any saving.

The NGAUS does not have the expertise to fully analyze and cost the concepts we have suggested. We do believe the concepts are worthy of consideration, if budget cuts are so deep as to threaten modernization.

MANPOWER

ARNG unit strength

The programmed end strength for the ARNG in fiscal year 1984 is 421,019. The States have advised the National Guard Bureau that they can attain an end strength of 428,000. The ARNG is programmed to attain a fiscal year 1988 end strength of between 450,00 and 460,000, thus attaining full war strength. We believe that the ARNG should be permitted and encouraged to take advantage of the favorable recruiting environment that exists, while it exists. The cost of the additional strength for fiscal year 1984 is estimated to be $84 million.

ANG unit strength

The ANG fiscal year 1984 programmed end strength is 104,104, which will permit flying units to be manned at 99.1 percent of wartime strength and permit nonflying units to be manned at 96.4 percent. We are proud of the Air Guard's ability to recruit, and we are pleased with the budgeted manpower program.

Full-time support program

The program of converting vacant technician spaces to full-time military spaces was terminated by the Congress in fiscal year 1983 Appropriation Bill. The decision of the Committees on Appropriations was to put a floor under the technician program at the 1982 level and to permit growth in the AGR program.

The fiscal year 1984 budget provides the following full-time support for the ARNG and the ANG:

	ARNG	ANG
Technicians	22,613	21,846
AGR	18,630	5,578

The AGR growth provided in this budget is essential to the continued improvement in the readiness of the National Guard.

There is, however, a major problem in the command and control of the ARNG AGR program and I will address that problem in the section on Legislation which follows.

LEGISLATION

Although the legislative program of the NGAUS includes 28 specific legislative proposals, we have established six bills as our highest priority. Each of these bills have been introduced in the House, and have been assigned to the Military Personnel and Compensation Subcommittee for hearings.

H.R. 1494—State control of AGR

When the Congress first started the full-time military program as an alternative method of providing full-time support personnel for National Guard and Reserve units, the Congress specified that National Guard personnel should serve under the authority of 32 U.S.C. 502(f), and the Department of Defense agreed. The purpose of citing a section of title 32 was to insure state control of the full-time personnel of the National Guard just as 32 U.S.C. 709, the National Guard Technician Act of 1968, clearly places control of National Guard technicians in the hands of state adjutants general.

The Department of Army has conluded that the full-time military personnel, now called Active Guard and Reserve (AGR) personnel, serving in the National Guard are on "active duty in the service of the United States". In our view, this action violates the Militia Clause of the U.S. Constitution, thwarts the whole purpose of title 32, flaunts the expressed intent of Congress, and makes the AGR program unworkable. The adjutant general stand with our Association in unanimous opposition to the action of the Department of Army. H.R. 1494 is a simple bill which defines "active duty" as excluding service personnel under title 32. We urge your strong support of this legislation.

Veterans' Educational Assistance Act

The ARNG, along with all other Reserve components, is doing well in recruiting and retention. However, the ARNG will be required to attain full wartime strength of about 460,000 in fiscal year 1988. We will need the help of a "GI bill" such as reported out by the House Committee on Armed Services last year, and we strongly urge your favorable consideration of legislation during this first session of the 98th Congress.

H.R.'s 1495, 1496, 1497—Medical care package

Enactment of this medical care package of three bills for Guardsmen and Reservists is long overdue. The legislation is worthy as a matter of equity, yet the Congress has yet to hear the bills. Mr. Chairman, we urge that you favorably consider this medical care package legislation during the first session of the 98th Congress.

H.R. 486—Assistant Secretary of Defense for Reserve Affairs

The Guard and Reserve are so important in national defense planning that the function of consideration and presentation of Guard and Reserve issues in the Defense secretariat should be designated to an assistant secretary of Defense who has no other responsibilities. We urge your strong support of this legislation.

SUMMARY

Mr. Chairman, in my statement I urged that you increase the authorized strength of the ARNG for fiscal year 1984. I discussed the role of the National Guard today, and in response to your direct question, commented on the potential role of the National Guard. I discussed and urged that you support six specific pieces of legislation.

Mr. Chairman, the National Guard has no wish to "get well" at the expense of the regular establishment. But we consider it necessary that we "get well if we are to fight when, where, and as well as the regulars.

Senator **Jepsen**. Thank you, General Greenlief.

I will very seriously consider this proposal to make Dr. Philbin's position Assistant Secretary of Defense. As General Roberts indicated and you recommend, the time has come when the Reserves and Guards be seated at the front table.

General **Greenlief**. Yes, sir.

Senator **Jepsen**. I support that.

Captain Coleman, Naval Reserve Association.

STATEMENT OF CAPT. CURTIN R. COLEMAN II, USN (RETIRED), PRESIDENT, NAVAL RESERVE ASSOCIATION

Captain **Coleman**. Mr. Chairman, committee members, I request my prepared statement be entered into the record. I would like to briefly summarize it.

We appreciate the opportunity to testify before this committee, which has understood the Naval Reserve problems and been very helpful in trying to solve these problems. We see a general movement among the different political factions to weave the Guard and Reserve into the defense structure to a greater degree than is now the case.

Inherent in this, however, is the necessary commitment by the Congress to follow through with the support required to perform the assigned mission. It is in this context that we solicit the committee's support to provide for the manning, equipping, and training of the Reserve components. Words which pour forth in support of the Guard and Reserve do not cost money, while people, equipment, and training do. The Guard and Reserve, properly supported, is the best defense buy available today. We will comment briefly on several of the personnel and compensation issues important to the Naval Reserve. We have also included at the request of the committee a section on additional and expanded missions and tasks for the Naval Reserve.

The issues covered in our full testimony include Naval Reserve strength increase, annual training duty for volunteer training units, an Assistant Secretary of Defense for Reserve Affairs, a Reserve flag officer as Chief of Naval Reserve, Reserve benefits, including exchange, commissary, and medical coverage, and Naval Reserve missions.

The subject of Naval Reserve strength. The Navy, at the instigation of Secretary Lehman, commences its climb toward the mobilization requirements this year at long last. Much of the planned increase consists of recruits, nonprior service successions which provide long-term retention potential.

NRA believes, however, that the middle grade experiences needed now to man the new hardware is being introduced into the Naval Reserve Force. The recruiting climate is good. It makes good sense to take advantage of that fact, to get the personnel on board that will be needed if we have to mobilize. In fact, recruiting has been so good that Admiral Dunn was forced to cut some 3,000 billets out of the Naval Reserve strength only 2 months into this fiscal year, which obviously created considerable turmoil in the field.

NRA recommends an increase of 5,954 drilling reservists to the budget request, an additional cost of $20.9 million in RPN over budget submission. The total recommended strength was 105,000 drilling selective reservists plus 12,942 active duty support personnel, for a total Reserve strength in the Navy of 117,942.

Briefly, on category D or delta personnel, we strongly recommend an additional $2.5 million to provide up to one-half of these personnel drilling, nonpaid in the volunteer training units with annual active duty for training in fiscal year 1984. These are personnel with mobilization assigns of N plus one, two, or three who would be drawing drill pay in another Reserve component, but who in the Navy only occasionally receive pay for annual active duty.

Reserve benefits. We have concentrated on benefits which even at no cost are minimal cost items. Portal to portal coverage is an old familiar legislative initiative included in H.R. 1495, 1496, and 1497 by Mr. Montgomery to correct a gross inequity. Guardsmen and Reservists under the three proposed bills would at long last be covered for injury, disease, or sickness while drilling or traveling to or from a drillsite.

Guesstimates as to cost for $5.5 million the first year to as high as $28 million in 20 years, but whatever the cost, this coverage should be provided. We have also recommended increasing certain exchange and commissary benefits for those Reservists who have completed 20 years satisfactory service but have not yet reached age 60, some relaxation on commissary benefits for the Reservists which would be miniscule in cost but would create a whole new perception among the Reservists, and would tell them that maybe there is truly one Navy.

On the subject of the Assistant Secretary of Defense for Reserve Affairs, like ROA, we strongly recommend that this be established, that the office be an Assistant Secretary of Defense for Reserve Affairs. He would be better able to represent the Reserve position in the OSD hierarchy. The same position should also be established in each of the service secretariats. H.R. 486, sponsored by Representative Bill Chappell, is in the hopper and provides for just such a change to the law.

NRA fully supports passage of H.R. 486, and hopes the Armed Services Committee will hold hearings on this bill or its companion bill here in the Senate at an early date.

On the subject of the Chief of Naval Reserve, this recommendation casts no reflections on the present Chief of Naval Reserve Rear Admiral Dunn. He is doing an excellent job in the short time he has been at the helm. However, NRA believes Congress should legislate that a Reserve flag officer be appointed by the President and confirmed by the Senate for a 4-year tour, that he be vested with the staffing and authority to do the job of Chief of Naval Reserve and Naval Reserve Forces.

The legislative proposal is included in annex B of our complete testimony. On the subject of new and expanded roles for the Naval Reserve, as was requested by this committee, the many ideas listed for new or expanded roles are only a start on the possibilities available.

The caveats listed in the complete testimony should be considered carefully to prevent false or improvident starts toward substitute roles. NRA believes there are many and varied roles in which the Naval Reserves could assume or expand its participation in the air service and shore establishments.

With dedicated congressional support, phasein of additional tasks, possible changes in deployment practices, and determination that the Reservists are available in the number and skills needed, we believe that there are considerable substitutions which can be made by Reservists for what are not active duty billets.

NRA believes that there should be an active and continuing effort to determine the possibilities of the Guard and Reserve expansion by both Congress and DOD. Stated another way, we believe one way to analyze the problem is to find out what missions the Naval Reserve can perform, assign those missions to the Naval Reserve, and assign the remaining ones to the active duty forces, those which cannot be performed on Reserve. We think the same for the Guard, too.

Mr. Chairman, in summary, the Naval Reserve Association has offered suggestions on how the Naval Reserve can help conserve funds while maintaining or increasing the combat capability of the Navy. We have asked for your help in bringing this about through a minimal amount of funding and some substantive incentives in the form of benefits.

We have asked the Congress for money to modernize so the Naval Reserves can perform their stated missions. Given the hardware and support, the Naval Reservists will equal or outperform the Active Forces any time. When the Reserve components have been manned and equipped, and when they have been called, they have performed admirably in combat and combat support roles.

The Naval Reserve and other Reserve components will repay your efforts many times over in cost effective, capable assets. Mr. Chairman, NRA rests its case. Thank you. We stand by for any questions you may have.

[The prepared statement of Captain Coleman follows:]

Prepared Statement by Capt. Curtin R. Coleman II, U.S. Naval Reserve, President of the Naval Reserve Association

Mr. Chairman, Committee members, we are very appreciative of the opportunity to testify before this important Committee again this year. You have been very understanding of Naval Reserve issues in the past and extremely helpful in solving many of the problems which have existed. We hope you will be as supportive of the Naval Reserve now and in the future.

The last two years we were concerned over the fact that the budgets by the New Administrative had practically no increase in the Guard and Reserve over the previous budget. The services as a whole were treated very well and a definite attempt was made to upgrade the active forces which had been neglected for so long. However, very little was done to build up the Guard and Reserve. Although the Naval Reserve funding has improved, the constant dollar amount for the Reserve Components remained level this year.

We made a statement the last two years which bears repeating today and I quote, "Words which lavishly and profusely pour forth in support of the Reserve and Guard do not cost money, while people, equipment and training do" unquote.

The Naval Reserve Association (NRA) is pleased with the strong bipartisan effort in the Congress to shore up the Defense Establishment. However, we believe that more thought and planning should be demanded in the Pentagon as to where the Reserve Components can do the job and save considerable money at the same time. Maintaining a huge standing Army, Navy and Air Force is tremendously expensive and any portion of that force which can be assumed by a Reserve Component is that much less of a burden to the taxpayer. The public mood seems to support a build-up in our Defense establishment but it will not tolerate non-essential or wasteful spending. How much easier it would be to keep a balanced structure in Defense if the Guard and Reserve were treated in a more even handed manner. The larger the Guard and Reserve contribution, the more the support from the citizenry.

NRA support the thesis that the Guard and Reserve, *properly supported,* is the best Defense buy available today.

The Naval Reserve Association fully supports the Secretary of the Navy and the Chief of Naval Operations in their efforts to achieve Maritime Superiority in the shortest possible time. The association also believes there are significant savings to be made in reaching this goal by focusing on the most effective and economical way to do the job. We have been pleased by many of the recent actions taken by the Navy to address Reserve issues of strength and hardware modernization. It is a good start and we hope the interest will continue. If this trend keeps up, the Navy could climb all the way to the leadership role among the Services in its support for its Reserve Component.

Today the Naval Reserve Association will comment on several of the Personnel and Compensation issues which are of interest ot the Naval Reservists. They include:

Naval Selected Reserve Strength.
The appointment process for the Chief of Naval Reserve Forces.
Reserve Retirement/Benefits.
Portal to Portal coverage for Reservists and Guardsmen.
Naval Reserve Missions.

A Naval Reserve Strength Fact Sheet (Appendix A) is also included in this testimony for a quick and easy review of that issue.

NAVAL RESERVE STRENGTH

The history of the last decade shows that the Naval Reserve strength issue has been one of great controversy. It is only through the efforts of some very strong and forceful individuals on Capitol Hill that there is a Naval Reserve at all today. Secretary of the Navy, John Lehman, delivered the final impetus to a comeback of the Naval Reserve last year when he directed that the Naval Reserve was to build up to the Navy Manpower Mobilization System (NAMMOS) number by the end of fiscal year 1987. The Navy is now committed to reaching that goal which is 123,261 paid drill Reservists.

In view of the renewed interest in the Congress in the Reserve Components, combined with the present excellent recruiting climate, the Naval Reserve Association believes it appropriate to step up the plan to close in on the NAMMOS numbers. The NRA proposal recognizes that NAMMOS represents a wartime requirement and prudence dictates that as many as possible of those required to man the battle stations in a war should be trained, on board, and ready to go. It is in this context that NRA recommends additional numbers for the Naval Reserve for fiscal year 1984 at a cost over budget submission of $20.9 million. This increase would also cause a stepped up recruiting effort and thereby better prepare for any additional tasks/missions assigned to the Naval Reserve as a result of Congressional and Navy agreements.

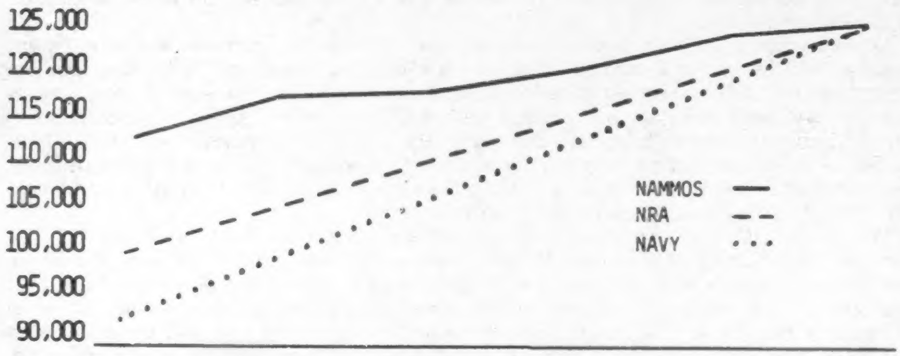
Last year the Naval Reserve Association recommended an increase over the proposed Naval Reserve strength submission of 94,000 to an average strength of 100,750. Because of Navy objection to any increase at that time, the Congress saw fit to leave the strength proposal as it was submitted. Subsequently, a solid recruiting effort by the Navy brought the Naval Reserve strength to over 96,000 by 31 December 1982. The strength remained over 96,000 through January 31, 1983, dropping down to around 92,000 by the end of February 1983. To acccomplish this, however, many Reservists had to be dropped to a non-pay status to keep within the funding constraints. The end result was that once again, there was considerable turmoil and unhappiness out in the field. It has gotten to be an almost annual happening that the budget crunch affects the Naval Reserve adversely. Attempts continue at this writing to obtain more money for the Reserve Personnel Navy (RPN) fund to move the strength up to a reasonably obtainable level by the end of this fiscal year. It has been estimated within the Navy that the strength could be brought up to 100,000 by the end of the year for an additional $5.3 million if it is in hand by 1 April 1983. The obtainable strength goes down in a direct line at 1000/month through 1 September 1983 at lesser cost. For example: If $3.7 million is received by 1 May, an end strength of $99,000 is obtainable while 98,000 can be on board by year's end for $2.5 million additional.

Much of the strength increase planned by the Navy consists of recruits into the Sea and Air Mariner (SAM) program. These will be non-prior service accessions which are programmed to fill the E-3 and below mobilization requirements. The plan is to have all the recruits to this program complete boot camp of about eight (8) weeks duration. About a third of the group will receive "A" school skill training, about 10 percent of the input will be Advance Pay Grade candidates who will take Apprenticeship Technical Training at the Recruit Training Command. The remaining 50 percent will receive four (4) weeks equivalent Apprenticeship Technical Training at their home stations. All the SAMs will become drilling obligors upon completion of their initial training. Secretary Lehman established this program to recruit high quality people who have increased long-term retention potential. A similar program, or combination of programs, has been used before with a great deal of success in many of the skill areas in the Naval Reserve. The idea of using the outside trade school to provide much of the basic skill training should prove beneficial to the Naval Reserve.

Approximately 3,000 to 4,000 of the proposed 5,600 strength increase in the Naval Reserve will be recruits into the Sea and Air Mariner program. NRA does not believe this will fill the experience-level needs of the Naval Reserve Force. Consequently, we are requesting an average paid drill strength of 105,000 Naval Reservists. This figure does not include the active duty support personnel which OSD includes in its totals. Active duty support numbers averaged 11,710 personnel in fiscal year 1983 and is proposed to be 12,942 in fiscal year 1984. These would be added to the average drill strengths referred to in this section.

The Naval Reserve proposal which is to increase the Naval Reserve drilling strength to 105,000 in fiscal year 1984 includes all of the planned Sea and Air Mariner program which will put new and long-term talent into the program. NRA also provides for a substantial increase in the more experienced personnel who can be of immediate benefit to the Naval Reserve Force as the new ships and aircraft enter the inventory. The recruiting climate is right at this time and we should take advantage of that situation. As the economy improves, which we certainly hope happens soon, the recruiting job will be more difficult, particularly for the middle grade experience levels. It should not be overlooked that the Naval Reserve could have been much stronger today if our forward vision had been better last year.

The following chart illustrates the three strength figures: NAMMOS, Navy proposals and NRA proposal. The active duty support strength shown in parentheses at the bottom of the chart must be added to the Navy and NRA totals.



	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
NAMMOS*	113,400	117,615	116,946	120,659	123,261	124,216
NAVY*	93,400	99,046	106,754	114,285	121,079	124,825
NRA*	100,750**	105,000	109,750	119,500	121,079	124,825
ACTIVE DUTY SUPPORT*	(11,710)	(12,942)	(14,196)	(14,909)	(15,671)	(16,425)

* Figures are average strengths.

** Recommended by NRA in FY 1983 Budget Hearings.

(Note: OSD includes Active Duty support in Selected Reserve numbers. These figures shown above are in addition to the paid drill strengths shown.)

Recommendation: That the Congress continue the increase in the Naval Selected Reserve strength toward the NAMMOS requirements by authorizing and funding an average paid drill strength of 105,000 (117,942 with Active Duty support) for fiscal year 1984 at a cost of $20.9 million over the budget submission.

VOLUNTEER TRAINING UNITS/CATEGORY "D" PERSONNEL

The Volunteer Training Units (VTU) are composed of highly qualified professionals who drill without pay and who, occasionally, perform two weeks annual Active Duty for Training with pay. Paid training duty has been very unpredictable in the past for these Reservists with funding provided for 0 to 75 percent, each year, of those eligible since fiscal year 1973. The Naval Reserve Association believes strongly, as does the Chief of Naval Reserve, that more funds are needed to support this extremely valuable mobilization asset.

Other personnel, in the same Category "D" predicament are also assigned to the Merchant Marine Program as well as a few from the Individual Ready Reserve (IRR) pool. The comments concerning the VTUs will also cover the Merchant Marine and IRR Category "D" drillers.

Unlike other Reserve Components, anyone in the Naval Reserve who has a mobilization recall later than M-day is not assigned as a Selected Reservist. Such an individual is placed in Category "D" or less. The Navy Category "D" personnel are in M+1, 2 or 3 mobilization increments and are required to train 48 drills a year and maintain a 90 percent drill attendance. The specialties included in these units include: Political Military Affairs, Intelligence, Military Sealift Command, Air Systems Command, Civil Defense, Supply, Medical, Public Affairs, etc. There is a tremendous pool of talent contained here for any mobilization situation. The units also supply replacement for normal attrition losses in Selected Reserve units.

The irony of this whole situation is that not only do these personnel not receive drill pay, as they would in most Reserve Components, but only about 25 percent–35 percent of the group now receive two weeks training duty each year. It is a fine example of dedication and patriotism, but however you look at it, it is unfair.

The Naval Reserve Association believes that there should be increased funding for the Category "D" participants in the VTUs, and the Merchant Marine program and some of the IRR drilling programs with the goal of funding two weeks Active Duty for Training for all of these drillers. This should be able to be accomplished in two or three years.

Presently, there is 4.5 million in the fiscal year 1984 budget to fund approximately one-third of the program participants. A relatively small increase of $2.5 million in the RPN fund for fiscal year 1984 would fund 50 percent of those drilling in Category "D" and commence a movement toward full funding in the near future.

Recommendation: The Naval Reserve Association strongly urges the Congress to authorize and fund an increase of $2.5 Million in the Reserve Personnel Navy (RPN) account to provide annual training duty for Category "D" personnel assigned to mobilization billets.

RESERVE BENEFITS/RETIREMENT

The Naval Reserve Association is concentrating on minimal or no cost issues again this year. The proposals are such that they would receive a high degree of appreciation from the Naval Reservists out in the field. Passage of the benefits contained in this section would give the Congress a high degree of visibility in the Reserve Community for very little money expended.

The so-called "Portal to Portal" coverage for Reservists traveling to and from drill is probably the most important of all the issues discussed in this section. The lack of such coverage is not only discriminatory to the Reservist, it is downright unfair. The fact that legislation has not been successful in making it through the necessary process is an excellent example of what lack of active support from DOD will have on corrective legislation. The Portal to Portal provisions and the Commissary benefits referred to are low to minuscule cost items while the Exchange items are no cost.

Portal to portal

The Defense Department now favors and supports the passage of the package of bills in the hopper which corrects the inequities in the law regarding injury, disease or sickness while drilling or traveling to or from a drill site. The costs as roughly estimated by Defense go from $5.5 million the first year to $28 million/year twenty years from now. There are, however, no statistics available on how many Guardsmen or Reservists are injured or killed each year in the areas covered by the proposed legislation but there certainly should be no doubt but that the coverage should be provided.

The three proposed bills, sponsored in the House by Representative Sonny Montgomery (D-Miss.) are as follows: (Senator Jackson has offered similar legislation in the Senate in past sessions of Congress and may do so again this year.)

H.R. 1495 the Senate companion amends titles 10, 32, and 37, United States Code, to authorize medical and dental care, and related benefits for reservists and members of the National Guard under certain conditions, and for other purposes.

H.R. 1496 amends title 10, United States Code, to authorize additional medical and dental care for dependents of reservists and members of the National Guard, and for other purposes.

H.R. 1497 amends title 10, United States Code, to authorize medical and dental care and related benefits for reservists and members of the National Guard who contract a disease or become ill while on active duty for thirty days or less, and for other purposes.

Recommendation: The Naval Reserve Association strongly supports the passage of H.R. 1495, H.R. 1496 and H.R. 1497 and urges that the Armed Services Committees hold hearings on these measures at an early date.

EXCHANGE PRIVILEGES

Reservists are now permitted to visit Exchanges on a one for one basis commensurate with the number of drills attended. The visits can be at any time during the year subsequent to the drill being performed. Reservists who have reached age 60 and are drawing retirement pay may shop at the Exchanges at any time.

In between these two groups are the Reservists who have completed over 20 years of qualifying service but who have not yet reached age 60 and thereby be qualified to receive retired pay. These individuals are in a nether world when it comes to retirement benefits. They have served their country with honor but will not draw a penny's worth of retirement compensation until they reach age 60. Should one of those individuals die before reaching age 60, he or she will receive nothing. Further, these individuals retain a liability for mobilization in the event of national emergency.

NRA believes that a reservist who completes 20 years or more of qualifying service should be entitled to unlimited Exchange privileges once he or she has received a Note of Eligibility. This is a no cost to the government benefit which would show that a grateful nation is willing to show its appreciation for a job well done.

Recommendation: NRA recommends that the Congress authorize unlimited Exchange privileges for those Reserve personnel who have completed over 20 years of qualifying Federal service.

COMMISSARY PRIVILEGES

NRA addresses the benefits of two groups of individuals in this discussion, the drilling Reservists and those persons who have retired from service with over 20 years satisfactory Federal service, but who have not yet reached 60 years of age. Drilling Reservists are qualified to shop at the Commissary stores during their Active Duty for Training periods. The retired Reservists who have not yet reached age 60 have no rights to the Commissary until they reach age 60.

In the case of the drilling Reservists, the trip to the Commissary probably averages out to less than once during a two-week Active Duty for Training stint.

A more reasonable alternative would appear to be to allow such Reservists equivalent days of shopping at a Commissary store during the course of a year, at the member's convenience.

For the Reservist, who has completed 20 qualifying years of service but is not yet 60, who has no access to the Commissary at the present time, NRA proposes that such an individual be allowed to shop at the Commissary on an unlimited basis. Although this may sound, at first blush, as though the flood gates would be opened, few such members live within easy access of Commissaries, nor do a large percentage of the drilling Reservists. One can then ask whether this wouldn't be limiting the privilege to a relatively few personnel. The importance of this recommendation by NRA is the perception by the Reservists concerned that they are part of a team and are not being ignored. NRA believes such an authorization by the Congress would pay large dividends at little or no cost to the Government.

Recommendation: NRA recommends that the Congress authorize Naval Reservists to utilize the Commissary stores on a day-for-day basis for up to 14 days each Fiscal Year of Active Duty for Training. Further, that Reservists who have completed 20 years of qualifying Federal service, but who have not yet reached age 60, be authorized to shop at the Commissary Stores at their convenience.

CHIEF, NAVAL RESERVE/NAVAL RESERVE FORCES

This proposed change has been recommended by the Naval Reserve Association for may years. The proposal does not at all reflect on the performance of the current Chief of Naval Reserve who is doing an excellent job. NRA believes that the most effective organization for the Naval Reserve would be one which is structured with Reservists at the top management positions, much like most of the other Reserve Components. Reservists managing Reserve matters not only sounds logical but has proven effective in the Reserve Components which are so organized under title 10 U.S. Code. Necessarily included in this proposal are the tools with which the Naval Reserve Chief can accomplish his tasks. It cannot be a sinecure position and function with any degree of effectiveness.

The NRA, therefore, supports legislative initiative to provide for a reserve flag officer, either Selected Reserve, TAR or 265, to serve a four-year assignment as Chief, Naval Reserve/Naval Reserve Forces (CNAVRES/CNRF). Additionally, two (2). Deputy Chief positions, one each for surface and air, should be established and filled by reserve flag officers. The assignment of reserve flag officers to the highest leadership positions in the Naval Reserve will provide the Naval Reserve Force with the maximum reserve expertise and understanding of reserve management problems. The Staff/s of the Chief of Naval Reserve/Naval Reserve Forces should consist of a minimum of 40 percent Reserve officers. Concurrent with establishment of an all-reserve management team, authority should be granted to the Chief, Naval Reserve/Naval Reserve Forces to assume the budget program planning functions and the concurrent fiduciary responsibilities for expenditures for the Naval Reserve similar to that authorized for the other Reserve Component Chiefs.

To properly execute this responsibility, the CNAVRES/CNRF should establish a comptroller organization within the Naval Reserve. All units of the Naval Reserve Forces should be placed under the operational control of CNRF during peacetime conditions except during periods of Active Duty for Training or inactive duty training periods (drills) that would necessitate transfer to other fleet commanders to accomplish training or operational commitments.

NRA feels that the Navy needs to vest the budget management, training and operational responsibilities with reserve leaders who can best serve the objectives of the Naval Reserve mission.

Recommendation: The NRA recommends that the position of Chief, Naval Reserve/Naval Reserve Forces, be established in law and provide with the management authority and responsibility of all Naval Reserve activities, to include, but not be limited to, training, personnel, programs, budgets, policy, funds, force structure, plans and allocation of all monies appropriated by the Congress for the Naval Reserve. This position shall be filled by a Reserve officer with the grade of at least Rear Admiral who will serve for a period of 4 years. the appointment as CNAVRES/CNRF will be made by the President, by and with the advise and consent of the Senate.

To assist the CNAVRES/CNRF in executing his duties the positions of Deputy, Air and Deputy. Surface should also be established in law. The NRA recommends that appointments be made from Naval Reserve Rear Admirals or Commodores by the Secretary of the Navy and that they hold office for four years.

The Legislative proposal is included as Appendix B at the end of this testimony.

Assistant Secretary of Defense, Reserve affairs

The current position of Deputy Assistant Secretary of Defense (Reserve Affairs) should be upgraded to Assistant Secretary of Defense (Reserve Affairs) along with similar positions in each of the military departments. By upgrading those positions, the Guard and Reserve forces will have equal and adequate representation at the Assistant Secretary level in the Department of Defense. The trial program of making the Reserve focal point only a Deputy Assistant Secretary has been a failure. The present position has been relegated to one of relative impotence in the Defense hierarchy. Never has the need been greater to exercise the full potential of the Reserves and to exploit the economic savings available by their full utilization and potential. The present Assistant Secretary of Defense (Manpower, Reserve Affairs & Logistics) has done well by the Guard and Reserve considering that he has entirely to many responsibilities for one person to handle. No one individual has the capability of conducting all three jobs with any reasonable efficiency.

Recommendation: The Naval Reserve Association strongly recommends that the Congress pass legislation included in HR 486 which will establish an Assistant Secretary of Defense (Reserve Affairs) and similar positions in each of the military departments.

NAVAL RESERVE MISSIONS

This portion of the testimony is in response to the request to provide the Association's views on possible new or expanded roles for the Naval Reserve.

Before discussing specific tasks or missions which might be practical candidates for more Naval Reserve participation, several preliminary comments an/or assumptions need to be offered.

Any substantial addition to the Naval Reserve Force will have to be phased in, in an orderly fashion.

Savings in the defense budget cannot occur immediately. The phase-in would mean gradual savings in the out years.

The Congress and the Navy Department would have to make hard decisions concerning ways of doing business in the Navy before many of the possible changes could be made, i.e., forward deployment practices, for one.

The peacetime operations versus wartime capability has to be addressed before the full extent of Naval Reserve involvement can be determined.

A new look and policy change would probably be necessary in basing the ships and aircraft. The hardware needs to be located as close as possible to the drilling population.

Qualified Reservists in sufficient numbers to man the platforms assigned must be available and the Congress has to be ready to support the recruiting effort.

Ship deployments—A complete change in the method of deploying ships and personnel is offered as a possible way to conserve funds and free up more ships for local operations or even transfer to the NRF. The idea is to deploy the necessary ships to the oveaseas area and leave them there between overhauls. Crews could be flown back and forth from CONUS to the ships in increments. It could be set up with sister ships, one overseas and one in CONUS, exchanging crews. Even commands could be interchangeable. This could free up one ship out of three and still maintain overseas deployment.

The Naval Reserve Association offers the suggestions which follow, some specific and some general, for the Committee's consideration. Brief comments will be included with each item to help clarify each idea.

Surface Reserve

The forward deployment issue will have to be resolved before decisions can be made in this area. Several possible actions could be taken which would greatly affect an incareased Naval Reserve role in the Surface Navy. A cutback in the number of ships deployed or in the number of places deployed to and possible operating schedule changes could make a considerable number of alternatives available for transfer of active ships to the Naval Reserve Force (NRF).

Amphibious Force

The Navy transferred the Amphibious Support ships back to the Active Force from the NRF recently, apparently because of the Marine objection to having the AE's and LKA's assigned to the Reserve Force. The Reserve manning of the ships was low probably because the Selected Reserve crew billets were composed largely of non-rated and low rated enlisted which are not part of the Naval Reserve in any significant numbers at this time. The ships were also in high density ports without an adequate drilling population.

There are two LST's in the Naval Reserve at this time. All of the LST's could possibly be assigned to the Naval Reserve Force and work with Marine Reservists during Amphibious exercises. All of the other Amphibs that are not needed for peacetime operation could be in the Navel Reserve. Active Duty for Training periods could be scheduled in conjunction with the Marine Amphibious exercises which are contiguous to CONUS.

Hospital ship

The conversion of a Hospital Ship could present considerable openings for Reserve participation in the crew makeup. The active duty portion of the crew would repesent the required peacetime manning which means that a large portion of the crew, particularly the Medical Staff, should be Reservists. However, with the significant buildup of the Medical field within the Naval Reserve already planned, it might be difficult to recruit to additional requirements.

Mine warfare

The surface portion of Mine Warfare is presently a Reserve mission. The new Mine Warfare ships being procured will go into the NRF after 12-18 months of shakedown in the Active Force. This continues to be an ideal mission for the NRF.

Destroyers/Frigates

There are 24 FF-1052 or FFG-7 ships which are in or slated to join the NRF in the next few years. So far the phase-in is proceeding according to the Navy's plan but behind schedule on the Congressionally directed input to the NRF.

It is possible that some of the mothballed ships such as the recently decommissioned DD931 Class Destroyers could be put in a cold iron status with a small cadre crew aboard. Such a ship could be activated within a short time frame This possible status would cost slightly more money annually but the ships could be ready for combat a lot faster with an assigned crew than is now possible.

Arapaho

This concept of placing pre-packaged containers on a cargo ship and thereby converting that Merchant Ship to a makeshift Aircraft Carrier is an excellent platform for the Naval Reserve. The Reserve ASW Helicopter squadrons are the logical candidates for this assignment. The British experience in the Falklands using temporary platforms for Helicopter and Harrier staging proved the value of the idea in a combat situation. It is not known by the Association what plans the Navy has for the Arapaho package after the testing phase is completed.

MERCHANT MARINE

The support ships such as Oilers, Ammunition Ships, etc., which are under contract to the Navy have a minimum crew aboard of normal steaming. These ships which would be needed for wartime support could have Reserve crews assigned for that contingency when the crew would require augmentation.

AIR PROGRAMS

Tactical airlift

The Naval Reserve operates all of the Navy's Tactical Logistics Airlift aircraft within the Continental United States. The squadrons are also tasked outside CONUS in some circumstances. This is a prime example of how effective Reserve assumption of a mission can be under the proper tasking.

Tactical air wing

The Naval Air Reserve has two Tactical Air Wings assigned. Provided that each Air Wing is assigned to a non-deploying Carrier and its aircraft modernized. The two Wings could be assigned as the 14th and/or 15th Air Wing/s for the like-numbered Battle Group/s. There is always one and most likely two Carriers in overhaul or SLEP at any one time. The Reserve Air Wings can be available to deploy before either Carrier could be ready.

Maritime patrol air (MPA)

Twenty-four (24) regular and thirteen (13) Reserve P-3 squardons make up the MPA force. There are requirements for a considerably larger number of units which must be considered before changes are made to the mix. The Naval Air Reserve could probably absorb one or more squadrons if the peacetime deployment requirements of the active squadrons were reduced. One possible answer would be to home base a squadron at an outside CONUS location and exchange crews on an incremental basis rather than conducting a whole squadron turnover at once. This could possibly be done at several overseas locations and the same deployments and readiness posture should be possible with fewer assets.

Aerial minesweeping

This role was given to the Naval Reserve some eight or nine years ago. A shortage of COD/VOD aircraft, however, caused a cancellation of the aircraft transfer to the NR. The mission which is primarily a wartime one probably should be in Reserve hands unless the VOD tasking is still a major factor. Transfer of the Helicopter Minesweepers to the Naval Reserve would place the complete Mine Warfare package in the Reserve.

SHORE ESTABLISHEMENT

There already is a considerable amount of support the Reservists are providing for the Active Force, particularly from the professional groups of Medical Doctors, Dentists, Attorneys, Scientists, etc. These personnel fill in on weekends and during leave periods of the active duty principals, often on a non-pay basis. A more structured use of such personnel probably could be accomplished with some possible reductions in active personnel. It must be remembered, however, that it is necessary to provide shore duty billets for the active duty personnel rotation schedules so that is a major consideration.

Just how effective the Naval Reserve help can be was probably best illustrated by Admiral Watkins' remarks when he was Vice CNO a few years back. He said, in essence, that if it hadn't been for the support by the Naval Reserve that year to the Navy that the Navy would have gone under.

SEABEES

The Reserve Mobile Construction Battalions comprise seventeen (17) of the twenty-six (26) Battalions in the Navy. The Reseve units are highly competent and can be completely relied upon if they are called. The units are, however, without a considerable amount of equipment with which to deploy. That issue should be addressed before taking on more units in the Reserve.

Two additional active duty Sea Bee Battalions are planned for the near future. It is possible that part of this add-on could be placed in a Reserve status depending upon the deployment requirements involved for the two Battalions. A change in deployment practices using an incremental system instead of the replacement of an entire Battalion at once could allow more Reserve representation in the Sea Bee Force.

Shallow water naval warfare

This area of the defense planning has, like Mine Warfare in the past, received a very low priority. Shallow Water Naval Warfare has some Reserve units assigned to the mission area such as the Mobile Inshore Underseas Warfare units, Minesweeping Components and Coastal Defense Coordinated Components. For the most part, though, Coastal/Harbor Defense of CONUS as well as Hawaii, Guam, Alaska, etc. has been non-existent since the disestablishment of the Sea Frontier Commands and the mission area has been given very low priority.

NRA believes that the nation's requirements in the whole spectrum of Shallow Water Naval Warfare should be addressed with the Reserve capabilities and potential cost savings fully exploited in the efforts to fill the unmet requirements.

SUMMARY

Mr. Chairman, in summary, the Naval Reserve Association fully supports the Administration's efforts to regain Maritime superiority. As an island nation, to do otherwise is to invite Soviet adventurism and expansion. The survival of our nation could easily depend upon control of the seas.

NRA believes that if the nation's citizenry is going to sit still for a continued improvement in the country's defense posture, the public is going to have to be shown that a high priority is being given to the support of the Guard and Reserve modernization and its contribution to the total defense effort. We believe that the larger the Guard and Reserve participation in the "Total Force," the better the acceptance by the citizenry.

The Naval Reserve Strength issue is finally being resolved and it appears that everyone is now on board regarding the requirements and the methodology for determining the strength. There is still a large shortfall between the on board strength and the required NAMMOS numbers. We hope you will agree that it makes good sense to increase the rate of growth now while the recruiting climate looks good. We also hope you will support our requested small increase in the funds for the Category "D" annual training duty. More than just a reward for "long and faithful service," this request is to support a dedicated group of valuable mobilization assets who have been wrongly exploited in the past.

The inclusion of the active duty support personnel in the Selected Reserve strength figures is contradictory to good management and causes considerable confusion when trying to explain Active and Reserve strength figures. (The support personnel show up in both readouts. We see no logical reason to continue the practice, in fact, now would be a good time to stop the procedure so we can track the real Reserve strengths. We request the Committee take one last look at this issue before it is put to bed.

NRA has been on record for years as supporting a Reservist as Chief of Naval Reserve. We believe it is time to make the legislative change to require a Selected Reservist or Reservist on active duty in each of three top Reserve billets; The Chief of Naval Reserve/Chief of Naval Reserve Forces, Deputy Chief for Air and Deputy Chief for Surface. NRA proposes that the Chief of Naval Reserve/Chief of Naval Reserve Forces be appointed by the President, confirmed by the Senate and provided with management authority and responsibility of all Naval Reserve activities to include, but not be limited to, training, personnel, programs, budget, policy, funds, force structure, plans and allocation of all monies appropriated by the Congress for the Naval Reserve. Legislative change is necessary to accomplish the above and bring the Naval Reserve structure in line with the rest of the Reserve Components. NRA has included a draft legislative proposal as Appendix B.

Reserve Benefits and Retirement issues were covered at some length in this testimony. For drilling Reservists NRA recommends a liberalization of Commissary privileges and for retired Reservists, who are not yet drawing retired pay, we recommend granting Exchange and Commissary privileges. These proposals would not only be at a very minimal cost to the taxpayer but would enhance the perception among Reservists of being part of the so-called "Total Force" or "One Navy."

Portal to Portal coverage contained in H.R. 1494 and the associated Bills H.R. 1495 and H.R. 1496 would correct inequities that have existed for a long time. These bills would provide the drilling Reservists and those on active duty of 30 days or less with the same coverage as their active duty counterparts. NBA strongly endorses these legislative proposals.

We have included many possibilities for further expansion of the Naval Reserve in response to the Committee's request. It must be restated, however, that the transfer of appropriate missions or tasks to the Naval Reserve must be accompanied by the assets with which to accommodate the assigned responsibilities. There are, undoubtedly, many areas in which the Naval Reserve could expand its role, but that fact has to be tempered with the availability of the proper Reserve personnel to do the job. The transfer of responsibility must be phased in with an objective of savings over the long-term and the Congressional commitment of support for the revised program. With those caveats and an objective analysis of the possibilities by the Congress/Navy team, considerable savings can be realized.

In closing, Mr. Chairman, NRA appreciates the efforts of the Chairman and the Committee members and your staffs in your conscientious efforts to keep the Guard and Reserve programs alive over the years. We all have a chance now in the present climate to make some of the improvements everyone has talked of in the past but could never quite implement with the necessary resources. We hope the Committee will consider our recommendations favorably and that we can get on with supplying the harassed taxpayers with the best defense available for the money spent.

Thank you Mr. Chairman.

APPENDIX A

FACTS—NAVAL RESERVE STRENGTH

1. The Administration proposes to fund 99,046 paid drill Naval Reservists in fiscal year 1984 (average).

2. Naval Reserve strength has been a controversial issue since early 1970's. All parties, (OSD, Navy and Congress), now agree on requirements.

3. Decline of NR strength went from 129,000 in fiscal year 1973 to a low of 87,000 in fiscal years 1978 through 1981. Congressional action stopped decline and increased funded strength to 94,000 for fiscal year 1982 and fiscal year 1983.

4. Recent history of Selected NR average strength:

Fiscal year	Navy submission	President's budget	Congressional	
			Authorized	Funding
1973	129,000	129,000	129,000	129,000
1974	129,000	116,981	119,231	116,857
1975	112,819	107,526	117,000	108,485

Fiscal year	Navy submission	President's budget	Congressional	
			Authorized	Funding
1976	95,142	93,982	106,000	99,000
19TQ	92,000	92,000	106,000	101,400
1977	92,762	52,000	96,500	96,500
1978	96,500	52,000	87,000	87,000
1979	87,000	51,400	87,000	87,000
1980	87,000	48,700	87,000	87,000
1981	87,000	87,000	87,000	[1] 92,000
1982	87,000	87,000	[2] 87,000	94,000
1983	94,000	94,000	94,000	94,000
1984	99,046	99,046		

[1] Funds diverted by OSD and strength retained at 87,000.
[2] 90,000 strength recommended by HASC but deleted in authorization conference

5. The following studies during the past decade all recommended much higher strength than OSD analysts would accept:

Study	Date	Conducted by	Selected Reserve strength recommended
Total force	1973–74	OSD	92,000
OP 605	1974–75	Navy	102,000
Navy Mission Study	1976–77	OSD	95,900
Guard and Reserve (Rogar II)	1977–78	OSD	[1]110,000
Navy Manpower Mobilization System (NAMMOS) ongoing	1978	Navy/OSD	[2]124,825

[1] Recommended 10 percent additional manning to ensure full wartime availability.
[2] NAMMOS stated requirements increase from 113,406 in fiscal year 1983 to 124,825 in fiscal year 1988.

6. OSD, in fiscal year 1981, defied Congress by refusing to use appropriated funds to raise NR strength to 92,000.

7. NR is the only immediate source of trained personnel to augment the active Navy in the event of war, national emergency or for other contingencies such as the call up of 100,000 Selected Reservists by the President.

8. Navy shortage of critical skills to man fleet ships could be at least partially offset by designating Naval Reservists to fill shortages.

9. Proposed expansion of Navy to 600 ships will increase need for additional Naval Selected Reservists to augment the new ships.

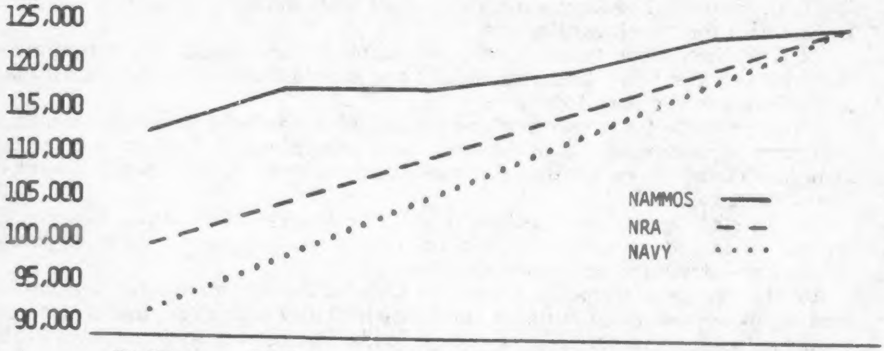
10. Naval Reservists have oversubscribed to the call to man the Battleships New Jersey and Iowa.

11. Recruiting climate favors accelerated climb toward NAMMOS numbers this year.

12. Maximum utilization of Reserve assets will provide expanded defense posture with top notch caliber personnel at lowest possible cost.

13. The planning criteria should be that: All mobilizaton missions not capable of being performed by the Naval Reserve should be in the active Navy.

14. The following graph illustrates NAMMOS, NAVY and NRA proposals for increased NR strength:



	FY 83	FY 84	FY 85	FY 86	FY 87	FY 88
NAMMOS*	113,400	117,615	116,946	120,659	123,261	124,216
NAVY*	93,400	99,046	106,754	114,285	121,079	124,825
NRA*	100,750**	105,000	109,750	119,500	121,079	124,825
ACTIVE DUTY SUPPORT*	(11,710)	(12,942)	(14,196)	(14,909)	(15,671)	(16,425)

* FIGURES ARE AVERAGE STRENGTHS.
** RECOMMENDED BY NRA IN FY 1983 BUDGET HEARINGS.
(NOTE: OSD INCLUDES ACTIVE DUTY SUPPORT IN SELECTED RESERVE NUMBERS. THESE FIGURES SHOWN ABOVE ARE IN ADDITION TO THE PAID DRILL STRENGTHS SHOWN.)

15. Recommendation: That the Congress continue the increase in the Naval Selected Reserve strength toward the NAMMOS requirements by authorizing and funding an average paid drill strength of 105,000 (117,942 with Active Duty support) for fiscal year 1984 at a cost of $20.9 million over the budget submission.

APPENDIX B

A bill to amend title 10, United States Code to establish the positions of Chief of Naval Reserve and two Deputy Chiefs of Naval Reserve so as to provide for the national security on a more effective, efficient, cost-effective, and representative basis, and for other purposes.

Be it enacted by the Senate and the House of Representatives of the United States of America in Congress assembled, That (a) this Act may be cited as the "Naval Reserve Force Management Act".

(b) Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of title 10, United States Code.

TITLE I—AMENDMENTS TO TITLE 10, UNITED STATES CODE

PART A—AMENDMENTS TO SUBTITLE C

SEC. 101(a) Chapter 519 is amended by adding at the end thereof the following new section:

§ 5253. Office of Naval Reserve and the Naval Reserve Forces appointment of Chief, Deputy Chiefs, and Acting Chief; functions, policies, and regulations for government of Naval Reserve

"(a) There is in the executive part of the Department of the Navy an Office of Naval Operations on matters relating to the Naval Reserve which is headed by a Chief who has access to the Secretary of the Navy and to the Chief of Naval Operations and is the principal staff adviser to the Chief of Naval Operations to include, but not limited to, personnel, programs, budgets, policy, funds, force structure, and plans. The Office of Naval Reserve includes a general counsel, a comptroller, and other personnel deemed necsssary by the Chief, Naval Reserve and as authorized by Congress to discharge its statutory responsibilities. The Office of Naval Reserve is—

"(1) the principal general supervisory staff and operating agency of the Navy Department for the Naval Reserve;

"(2) The Navy Department agency rsponsible for coordination of communication between the Navy Department and the subordinate commands in all matters relating to the Naval Reserve;

"(3) responsible for preserving and maintaining the integrity of the unit and command structure of Naval Reserve as a separate and distinct part of the structure of the Navy, except after mobilization, which is the specific intent of the Congress;

"(4) the staff agency responsible for the management of all Naval Reserve activites, to include but not limited to, personnel, programs, budgets, policy, funds, force structure, and plans; and

"(5) the agency responsible, under the Chief of Naval Operations, and having primary policy direction authority and responsibility to include, but not limited to, personnel, programs, budgets, policy, funds, force structure, and plans of the Navy affecting the Naval Reserve and for control, to include planning, managing, and further allocating, of all moneys appropriated by the Congress for the Naval Reserve.

The Congress looks to the Chief, Naval Reserve for the proper utilization and staffing of his office plus the full support and cooperation of the Department of the Navy to assure the establishment of a reliable and useful partner in the common effort of the national defense.

"(b) The Chief, Naval Reserve shall also be the Commander, Naval Reserve Forces which under the Chief of Naval Operations, shall include all Naval Reserve surface, subsurface and air units and personnel in the Navy Department. It shall be organized and located as deemed necessary by the Secretary of the Navy upon the recommendations of the Chief of Naval Operations and the Chief, Naval Reserve. Staffing shall be consistent with section 265 of this title.

"(c) The President, by and with the advice and consent of the Senate, shall appoint the Chief of Naval Reserve, the Deputy Chief of Naval Reserve, Air, and the Deputy Chief of the Naval Reserve, Surface, (which positions are not included in the total prescribed by any other section of this title) from commissioned officers of the Naval Reserve not only active duty, or who are on active duty under section 265, 672, 678, or 715 of this title, who—

"(1) have had at least 10 years of commissioned service in the Naval Reserve; and

"(2) have been recommended by the Secretary of the Navy from a list containing the names of not less than three or more than five officers whose names have been forwarded through the Chief of Naval Operations by a selection board comprised of five members, one of whom shall be the Chief of Naval Reserve.

"(d) The Chief of Naval Reserve holds office for 4 years but may be removed for cause at any time and may not hold that office after he becomes 62 years of age. He is not eligible to succeed himself. If he holds a lower reserve grade, he shall be appointed in the grade of Rear Admiral for service as Chief of Naval Reserve.

"(e) The Deputy Chiefs of Naval Reserve hold office for 4 years but may be removed for cause at any time and may not hold office after they become 62 years of age. If they hold a lower reserve grade, they shall be appointed in the grade of Commodore for service in the Naval Reserve. They are eligible for appointment as Chief of Naval Reserve.

"(1) If the Chief of Naval Reserve is unable, because of disability, to perform the functions of his office, or if that office is vacant, the senior Deputy Chief or the senior officer of the Naval Reserve on duty in the Office of Naval Reserve or the Naval Reserve Forces, shall act as its chief until the disability ceases or a successor is appointed.".

(b) The table of sections at the beginning of Chapter 519 is amended by adding at the end thereof the following new item:

"5153. Office of the Naval Reserve and the Naval Reserve Forces: appointment of the Chief, Deputy Chiefs, and acting Chief, functions, policies, and regulations for government of Naval Reserve.".

Senator JEPSEN. Thank you. At this time we will go to Master Chief John Thomas, National Legislative Director, Naval Enlisted Reserve Association.

STATEMENT OF MASTER CHIEF JOHN B. THOMAS, JR., USNR (RETIRED), NATIONAL LEGISLATIVE DIRECTOR, NAVAL ENLISTED RESERVE ASSOCIATION

Chief THOMAS. Thank you, sir.

In order to not cause confusion, it should be noted that the Naval Enlisted Reserve Association only includes drilling Reserve figures in our testimony. These do not include TAR's or IMA cap D personnel.

In fiscal year 1983 budget hearings, our association recommended a realistic rate of growth, a selected Reserve to achieve wartime requirements validated by the Navy's manpower mobilization system of over 123,000 billets. The Navy's plan for a small increase to well below the NAMMOS requirements was guided by what some call attainability. As of January 1983, select Reserve billet strength was in excess of 97,000, necessitating a cutback of approximately 4 percent.

We must state that Admiral Dunn had no other choice, due to the lack of funding. NERA proposes that a continued phased climb to requirements is feasible and attainable. Our association recommends that Congress authorize and fund for 105,000 Naval Reserve drill average strength for 1984 at an additional cost of $20.9 million above that requested by the administration.

Naval Reserve missions, the Naval Enlisted Reserve Association fully supports the Secretary of the Navy in his effort to achieve maritime superiority in the shortest possible time. Our association also believes there are significant savings to be made in reaching this goal by focusing on the most effective and economical way to do the job.

To accomplish the Secretary's efforts, some emphasis should be given to the Naval Reserve for new or increased missions, we have stated some of these missions in our testimony. We would also recommend that an outside study be conducted on the feasibility for the new and increased missions. Our reasoning for that is, many times the Naval Reserve has received the short end of the stick on other studies done in-house.

One of them we have experienced is the NRF ship program. There have been many actions initiated involving compensation in one form or another of the Guard and Reserve. The most important is the medical coverage for Guard and Reserve. There are many horror cases concerning drill reservists injured or crippled to and from drills who are not entitled to health care or compensation.

The implementation of Navy policy for reservists is 30 years and out. Reservists are forced into retirement at a probable age of under 50 years. There would be no entitlements for these retirees until age 60. These high skilled technicians must wait in limbo for 10 years without any recognition of their continuous drills and performance of annual active duty for training of their 30 years.

We recommend that either congressional direction be given to DOD or enactment of legislation to provide for compensation in the form of commissary and exchange privileges for the retirees while awaiting retirement pay. Our association also concurs with the other associations that an Assistant Secretary of Defense for Reserve Affairs position must be established, so we have some continuity with the Department of Defense.

Mr. Chairman, this completes our statement. Again, we thank you for the opportunity to appear before your subcommittee. We would be happy to address any questions you have or provide any additional information you or your subcommittee might want.

[The prepared statement of Chief Thomas follows:]

PREPARED STATEMENT OF MASTER CHIEF JOHN THOMAS, USNR (RETIRED), NATIONAL LEGISLATIVE DIRECTOR OF THE NAVAL ENLISTED RESERVE ASSOCIATION

Mr. Chairman, committee members, the Naval Enlisted Reserve Association thanks you for the opportunity you have provided us to appear before your subcommittee. We also want to thank the committee for its dedication and determination to provide a strong guard and reserve for our country.

Our purpose in appearing before this committee is to discuss Naval Reserve issues for fiscal year 1984.

NAVAL RESERVE STRENGTH

To avoid confusion, it should be noted that the Naval Enlisted Reserve Association will use only selected drilling Reserve members. Drilling Reserve figures in this testimony do not include TAR's or IMA category "D" personnel.

In fiscal years 1982 and 1983 budget hearings our association recommended a realistic rate of growth for the selected Reserve to achieve wartime requirements validated by the Navy's manpower mobilization system (NAMOS) of over 123,000 billets by the end of fiscal year 1986. The Navy plan for a small increase to well below the NAMOS requirements was guided by what some called attainability. As of January 1983, selected Reserve drill strength was in excess of 97,000, necessitating a cutback of approximately 4 percent. Many career enlisted reservists have arbitrarily been transferred to the IRR, causing turmoil and confusion. NERA strongly proposes that a continued phased climb to the requirements is feasible and attainable, if the stated Navy wartime mobilization requirements are valid.

It is much less expensive to fund reserves in peacetime for a wartime mission than to finance them in the active forces. Failure to authorize for an increase in the Naval Reserve strength to meet wartime requirements by fiscal year 1986 appears to be unwise and contrary to the national defense effort. The selected Naval Reserve is the only source of trained manpower immediately available to augment the Active Navy in the event of war, national emergency, or for other contingencies which would require using Presidential authority to call up as many as 100,000 selected reservists for a 90-day period.

The Naval Enlisted Reserve Association strongly recommends that Congress authorize and fund for a 105,000 Naval Reserve drilling average strength for fiscal year 1984. This would cost an additional $20.9 million above that requested by the administration. This would also provide a gradual increase in the Naval Reserve strength to the NAMMOS requirements to be reached by end of fiscal year 1986.

NAVAL RESERVE MISSIONS

The Naval Enlisted Reserve Association fully supports the Secretary of the Navy in his effort to achieve maritime superiority in the shortest possible time. Our association also believes there are significant savings to be made in reaching this goal by focusing on the most effective and economical way to do the job. To accomplish the Secretarys' efforts, some emphasis should be given to the Naval Reserve with new or increased missions.

1. Establishment of IMA's (intermediate maintenance activity) at naval air stations.
2. Hospital ship—with a scaled down crew (Active). The medical complement and ship operational unit would be naval reservists, similar to the NRF frigates.
3. Mine warfare—Naval Reserve controls about 75 percent of the mission, this could be increased to 100 percent. The flag assigned should be a selected Reserve or TAR.
4. Recruiting—Establish recruiting units and open Navy counselors rate to naval reservists.
5. Salvage operations—Expertise now available in Naval Reserve.

6. Intelligence and legal—Expand mission, qualified personnel available in Naval Reserve.

It is the opinion of our association that these new or increased missions would be phased in over a period of time to establish continuity. We also recommend an outside study be conducted of the feasibility of the new missions.

COMPENSATION

There have been many actions initiated involving compensation of one form or another for Guard and Reserve personnel. Very few which have progressed beyond the initial stages toward fruition. Some of the most important bills introduced concerning compensation are H.R. 1494, 1495, and 1496 (medical coverage for Guard and reservists). Many naval reservists are required to use any mode of transportation provided by any agency of the U.S. Government to reach drill and are required to use the aforementioned transportation while under TAD no cost orders to attend drills. Reservists in transit as passengers are not considered to be drilling while traveling, therefore are not entitled to the benefits provided in title 10, U.S. Code. In some locations, messing is not available at the drill site, in this case a reservist is not covered while traveling to or from a restaurant to have lunch. There are many horror cases concerning drilling reservists who were injured or crippled, while enroute and are not entitled to any health care or compensation. Mr. Chairman, NERA will provide case histories for the record if desired. In view of the foregoing, NERA strongly recommends passage of H.R. 1494, 1495, 1496.

Mr. Chairman, with the implementation of the Navy's policy for enlisted reservists of thirty years and out. A reservist would be forced into retirement at the probable age of under 50 years of age. It is evident that there will not be any entitlements for these retirees until age 60. These highly skilled technicians must wait in limbo for approximately 10 years without any recognition of their continuous drills and performance of annual active duty for training for thirty years. NERA strongly recommends that either congressional direction be given to DOD or enactment of legisation to provide compensation in the form of commissary and exchange privileges for the retirees while awaiting retirement pay.

NRF SHIPS

The Congress since fiscal year 1981 has given direction to the Navy concerning the NRF surface program. Currently only a few of the directions have been implemented. Command stucture, ships operation and management control has not been assigned to the Chief of Naval Reserve as directed. The only assignment delegated to the Chief of Naval Reserve is operational scheduling of NRF ships. TYCOMs are responsible for scheduling of all other evolutions. Increased fleet commitments by TYCOMs will curtail reserve training, and cause the NRF mission to deteriorate.

Another area of direction was to replace the Active Duty Navy crew with TAR personnel. Current Navy plans are only for replacement of 50 percent of the active crew. It is imperative that the Navy follow the direction of Congress, if the NRF mission of convoy/escort is to be successful.

In order not to be repetitious in our testimony herewith regarding the PBA/B tactical navigation modernization (TAC/NAVMOD). Navy airlift modernization and Reserve procurement, the Naval Enlisted Reserve Association fully supports testimony presented by the Naval Reserve Association. Mr. Chairman this completes our statement. Again, we thank you for the opportunity to appear before your committee. We will be happy to address any questions you may have or to provide any additional information to you, or your committee.

Senator **Jepsen**. Thank you, Chief Thomas. I would advise both of you that the portal-to-portal coverage was included in my bill last year which I will be introducing next week, and, among other things, it includes the recommendations you have made.

I thank you four. We have your written statements in the record. We invite any comments or suggetions or additional material you have, and I will also advise you there will possibly be questions that will be submitted to you for your response for the record from other members of this committee.

[Questions with answers supplied follow:]

QUESTIONS SUBMITTED BY SENATOR ROGER W. JEPSEN

ACTIVE/RESERVE COMPONENT MIX

Senator **JEPSEN**. Secretary Korb, in your written statement, you explain that over the next few months the Defense Department will be reviewing the criteria used by the Military Departments to establish their active/reserve component mix. Please describe the participants, the scope, the purpose, and the anticipated completion date of this evaluation.

Dr. **KORB**. The evaluation of the Total Force Composition will examine the allocation of the approved force requirement among active forces, reserve forces and host nation support. The objective is to provide additional assistance to me and my staff in developing guidelines and criteria with which to evaluate proposed force structure changes as they relate to choice among Active Components, Reserve Components and host nation support alternatives. In addition, I expect that the study will support the establishment of a Department of Defense policy on the design and mix of the Total Force. The study will be conducted for me by the Logistics Management Institute (LMI) in conjunction with careful review by senior officials from the Military Services and the Joint Chiefs of Staff. I anticipate the completion of the study late in calendar 1983 in time for inclusion in next year's Defense Guidance.

Senator **JEPSEN**. What prompted the Department to undertake this review?

Dr. **KORB**. This review, Total Force Composition, has been undertaken as the result of my own staff recognition that the careful balancing of the mix of force and support capabilities between the Active Components, Reserve Components, and Host Nations is central to effective and efficient management of our personnel and logistics resources.

GUARD AND RESERVE READINESS

Senator **JEPSEN**. Secretary Korb, during our discussion of the Army Reserve management structure, you recommended that Congress concentrate on the "outcome", and not on the organization or structure, of the resources devoted to the USAR. Do you mean to suggest that an improved USAR structure would not yields an improved "outcome"?

Dr. **KORB**. No, by no means did I intend to give that impression. I was merely saying that it appears to be more the role of the Congress and OSD to establish the desired outcome or objective and to generally leave the means and/or methods of attainment to Service discretion.

DEPENDENCE OF READINESS ON RESOURCES

Senator **JEPSEN**. Do you agree that better readiness depends not only on more resources but on how these resources are chosen, allocated, and utilized as well?

Dr. **KORB**. I certainly do agree.

RESERVE COMPONENT MANPOWER ACCOUNTING

Senator **JEPSEN**. Dr. Philbin, over the last five years both Congress and the Department of Defense have made changes in the accounting of Reserve Components' manpower strengths. Please explain the magnitude and purpose of each of these accounting changes.

Dr. **PHILBIN**. Several personnel accounting changes have been made to portray the Reserve Forces in terms that provide the DoD and the Congress with an improved picture of our manpower mobilization assets.

Selected Reserve strength, as reflected in DoD Budget submission and displays prior to the fiscal year 1982 Budget, did not in all cases adequately reflect that segment of the Ready Reserve which is maintained in the highest condition of trained readiness for immediate mobilization and deployment. Because they round out Active Component wartime requirements and are needed for early mobilization, individual Mobilization Augmentees (IMA's) were removed from the Individual Ready Reserve and placed in the Selected Reserve effective in fiscal year 1982. This change in accounting to place IMA's under the mobilization authority provided by 10 USC 673b was directed by the Secretary of Defense under authority of 10 USC 270(a). The actual number of personnel shifted to the Selected Reserve as a result was approximately 9000.

In fiscal year 1980 we began accounting for full-time support Active Guard/Reserve personnel in the Selected Reserve strength. Approximately 9000 personnel were shifted from the active force manpower inventory to the Selected Reserve. Similarly, in fiscal year 1983, at the direction of the House Appropriations Committee, we began accounting for Naval Training and Administration Reserve (TAR) personnel within Selected Reserve strengths. This shifted approximately 11,000 members from the active force manpower inventory.

RESERVE READINESS

Senator **Jepsen**. Dr. Philbin, the Army Reserve and Guard and the Naval Reserve have not made as much progress as the Air Force Reserve and Guard in attaining their wartime strength requirements. Why have the Army and Navy components lagged behind the Air Force in improving their wartime readiness?

Dr. **Philbin**. Actually, in terms of progress, since fiscal year 1979, through the fiscal year 1984 budget, the Army Guard, Army Reserve and Naval Reserve are making more progress than the Air National Guard and Air Force Reserve. This is due to the fact that the Air Force Reserve Components have been and will be very close to their wartime requirements over the entire period. The following table illustrates the progress being made by the Army National Guard, Army Reserve and Naval Reserve.

Component	Increase fiscal year 1979–84 [1]	Percent increase	Percent wartime requirement		Change in wartime requirement
			Fiscal year 1979	Fiscal year 1984	
Army National Guard	75,400	22	72.9	84.6	+14
Army Reserve	69,700	36	67.8	79.1	+34
Naval Reserve	15,400	17	89.8	84.1	+19

[1] Adjusted for transfers.

As the last column indicates, wartime requirements are not static. As more reliance is placed on the Reserve Components, manpower requirements increase accordingly. In the case of the Naval Reserve, while manpower was increasing by 15,400, the requirement increased by 19,000. The Naval Reserve has programmed for significant Reserve Manpower increases beyond fiscal year 1984 and will be at 96 percent of their wartime requirement by fiscal year 1987.

GUARD AND RESERVE READINESS

Senator **Jepsen**. In your personal opinion, how much of the difference in readiness between the Army Reserve and the Air Force Reserve can be attributed to their different command structures?

Dr. **Philbin**. In my personal opinion, a substantial portion of the Air Force Reserve readiness can be at least indirectly, if not quantifiably, attributed to the command structure. One reason for this is the clear lines of communication and command which exist throughout the Air Force. For every question of "who's in charge?" there is clear and definite answer. The Chief of Air Force Reserve has responsibility for program resources and equal responsibility for the execution of those programs through the last dollar. This is not true, however, for the Chief of Army Reserve. While he participates in the budget formulation process for the Army Reserve, his participation in the execution of that budget is limited.

But this is not to imply that the establishment of the Chief, Air Force Reserve in command of his units was the panacea which made everything work, because it was not. It was a first step, followed by recognition and acceptance throughout the Air Force of the role of the Reserve Chief and culminating with total Air Force support for that role. This path has not been easy nor is the system perfect. And there are and probably always will be those who decry the Chief's command authority. But the system is working. The proven readiness of the Air Force Reserve units is sufficient evidence of that.

FULL TIME MANNING

Senator **Jepsen**. What is the difference between the Army and Air Force Reserves in the level of full-time manning in each component?

Dr. **Philbin**. As of January 1983, the Army Reserve had approximately 12,955 personnel employed in full-time support of its Selected Reserve units. This included about 6,753 military technicians and 6,202 Active Guard/Reserve (AGR) members. This constituted about 5 percent of the Army Reserve's unit forces. The Air Force Reserve Selected Reserve units were provided full-time support by approximately

7,280 military technicians who comprised nearly 14 percent of the Air Force Reserve's unit forces.

Senator **Jepsen**. How much does this difference contribute to the difference in readiness?

Dr. **Philbin**. Differences in readiness cannot be quantifiably attributed to differences in full-time manning alone. Empirically, however, looking at the very low level of full-time manning in Army Reserve, units (less than 5 percent) any increases would almost certainly enhance readiness if only from sheer numbers of personnel and manhours. The Air Force Reserve units on the other hand have approximately 15 percent full-time manning.

But manpower is only part of the readiness equation, other parts of the equation are items such as equipment, training, resourcing, etc. Readiness is contingent upon a balance of all of these items. The Air Force Reserve has virtually all of its equipment, the Army reserve only about half. This inequity alone precludes any realistic comparison of readiness based on full-time manning in the Air Force Reserve and the Army Reserve.

Senator **Jepsen**. Dr. Philbin, I understand that the Marine Corps Reserve is in a superior readiness condition. Would you recommend that the existing USMCR command structure be modified to establish a Chief of Marine Corps Reserve who is the actual commander of all USMCR units?

Dr. **Philbin**. Looking at the personnel aspects of the Marine Corps Reserve including morale, esprit de corps, training, etc., the "superior readiness' condition" noted is no doubt prevalent. But, according to a preliminary analysis of the National Guard and Reserve Equipment Annex to the Force Readiness Report provided the Congress in February, equipment readiness is another story. This analysis indicates that even by the end of fiscal year 1986 the Marine Corps Reserve will have on hand only 50 percent of its wartime required equipment. And this percentage excludes an aircraft fleet which not only is short aircraft but also has an average age of 15.1 years. In view of this information, therefore, it may not be apprcpriate to retain the current structure on the basis of claims of "superior readiness" alone.

Under the circumstances, however, organizationally the Marine Corps Reserve appears to function efficiently. This is due in small part to the able leadership, in recent emeory, of General Crist and now General Olmstead, both of whom are Active Component officers. There is no evidence, however, to suggest that a Marine Corps Reserve general could not perform equally as well in that role. with the configuration of the Marine Corps Reserve as a fourth Marine Division, its command would even seem appropriately as that of a Reserve general.

Senator **Jepsen**. If not, why should the Chief of the Army Reserve have similar command authority over USAR units?

Dr. **Philbin**. As indicated, there is no evidence to suggest that a Marine Corps Reserve general should not be in charge of the Marine Corps Reserve and, accordingly, command the fourth Marine Division.

Senator **Jepsen**. Would a separate command structure for the Army Reserve violate the military principle of unity of command?

Dr. **Philbin**. Absolutely not. in this case, the term "unity of command" becomes a "glittering generality" with little basis in fact but which becomes the emotional byword for resistance to any command structure change. As used, the term simply alleges that a change to the current command structure would violate the existing chain of command when in fact such a change would modify the existing chain of command.

"Unity of command" is a key and vital tenet in the employment of forces on the battlefield yet if applied literally to the peacetime scenario, the Army National Guard, Air National Guard and the Air Force Reserve can all be construed as "violating" the unity of command. They do not; they simply do business differently, and better, as readiness statistics bear out.

Questions Submitted by Senator J. James Exon

TRANSFER OF ACTIVE ARMY MISSIONS TO THE RESERVE COMPONENTS

Senator **Exon**. Dr. Korb, in prepared testimony submitted to this Committee, Major General (RET) Greenlief of the National Guard Association of the United States mentioned the following examples of Army units that the Committee might consider transferring to the Reserves: The 5 CONUS-based active Army Divisions that are rounded out with one Army National Guard battalion each could be provided brigade size roundout.

One brigade of each of the two active Army divisions currently stationed in the U.S. which have no significant Guard or Reserve roundout could be inactivated and two Army National Guard Brigades could be designated to fill their missions. One brigade of the U.S. division stationed in Korea could be deactivated, and an existing Army National Guard brigade could be designated to roundout the Division in Korea.

Dr. Korb, what is your opinion of each of these alternatives?

Dr. Korb. First, in the testimony to which you refer, General Greenlief stated that he did not favor any reduction in the Army structure and that these examples were given in response to a Congressional inquiry as to what could be done.

Any reduction in the number of the active Army's current combat brigades would be detrimental to our defense posture.

However, a roundout program could be used to further expand the Army if it were approached in a deliberate manner, i.e., carefully plan the resourcing, have the necessary personnel on board, and complete appropriate training before the reassignment of missions. This would minimize the negative impact. There probably would be some degradation of readiness during the initial stages.

It is appropriate to point out that the Reserve Forces are becoming progressively more capable. Strength is improving and we are making gains in solving equipment problems. We can probably expand the size of the Army with some form of the roundout program but not at the expense of deactivating current active combat brigades.

There are many facets to be considered in making Active Reserve force tradeoffs, i.e., what percentage of the units should be full time, at what level would they be equipped and how much funding would be provided for taining, maintenance, etc. We hope to have many of the answers following our current efforts to determine the optimum mix of Active and Reserve Components for all Services. In my opinion the ideas presented by MG Greenlief should be reviewed in detail. The judgment will have to be to what degree his ideas could be implemented, when we consider such things as area of deployment, rotation base, and the ability of units to recruit the requisite number of personnel to maintain a high level of readiness. His suggestions will receive close examination as we consider force mix options for the Army.

Senator Exon. What would be the impact on existing force capability and readiness of each of these alternatives?

Dr. Korb. Given our current defense commitments, such moves would be highly detrimental to existing force capability and readiness. What we are talking about in total, is reducing the number of active Army major combat units by the equivalent of two and one-third divisions that are immediately available in the event of hostilities. It also would mean that none of these divisions would be deployable as a unit without a mobilization. A reduction of this type would also adversely affect the rotation base, which could cause the Army to lengthen overseas tours or shorten CONUS tours. This could impact morale and stability of the active force and could hinder retention and create disciplinary problems.

At present we have, as previously stated, a current effort to determine the optimum mix of active and Reserve components for all Services. I am confident we will find areas where adjustments can be made. However, I feel the only way to currently accommodate shifts of this magnitude would be to reduce commitments.

Senator Exon. Dr. Philbin, what is your assessment of these alternatives and the Army National Guard's and Army Reserve's ability to carry out these suggested missions?

Dr. Philbin. The Army National Guard and the Army Reserve are capable of performing any mission assigned provided they are given adequate resources.

The alternatives presented are extremely farreaching and I feel are not currently in the best interests of our defense posture. I think we will find opportunities to expand the Active Force through the roundout program as we study the active/Reserve Component mix, but, for now, we must have active divisions that can deploy without the necessity for a mobilization in times of impending crises.

The ideas presented by MG Greenlief will be reviewed in detail. Any decision will have to carefully choose the degree of implementation appropriate for those ideas, when we consider such things as area of deployment, rotating base, and the ability of units to recruit the requisite number of personnel to maintain a high level of readiness.

TRANSFER OF ACTIVE COMPONENT UNITS TO THE ARNG

Senator **Exon**. General Walker and General Berkman, what is your personal opinion of these alternatives and your component's ability to take on these suggested missions?

General **Walker**. My personal opinion is that the Active Component should not be reduced below its currently structured levels. However, I am totally confident that the Army National Guard can perform any assigned mission for which it is properly resourced.

General **Berkman**. I am not in a position, nor is my Agency, to evaluate the impact of changes in the Active Component's strength, structure and the Army's overall capability to respond to wartime military contingencies. However, if the plan outlined by Major General Greenlief (Ret) was approved, the USAR could support it, as required, provided additional structure and adequate resources were made available.

TRANSFER OF ACTIVE AIR FORCE MISSIONS TO THE RESERVE COMPONENTS

Senator **Exon**. Dr. Korb, in prepared testimony submitted to the committee, Major General (Ret) Greenlief of the National Guard Association of the United States, mentioned the following examples of Air Force units currently in or scheduled to be phased into the Active Air Force which could be given to the Air Reserve Compondents:

Current C-130 assets in the Air National Guard could be consolidated, freeing up units to accept C-141 and C-5A from Active units. Active units could then receive new C-5B aircraft, thereby avoiding the need to create new units to receive the C-5B aircraft.

Current tactical fighter assets in the Air National Guard could be consolidated freeing up units to accept new F-15's and F-16's. This would avoid the necessity of creating new active Air Force squadrons.

Dr. Korb what is your opinion of these suggestions?

Dr. **Korb**. General Greenlief's suggestions have a great deal of merit. His suggestions are more germane to the mobility forces then the tactical forces. The Air Force plans to achieve its goal of 40 Tactical Fighter Wing equivalents by increasing the number of Primary Authorized Aircraft in units throughout the Active and Reserve Component Forces. Two new squadrons are planned to be activated when the C-5B comes into the Air Force Inventory.

As you are undoubtedly aware, we have on-going eforts to determine the optimum mix of Active and Reserve Components for all services. It is my opinion that his ideas are workable. The question will be to what degree his ideas can be implemented, when we consider such things as area of deployment, rotation base, and the ability of units which gain aircraft to recruit the requisite number of air crews and support personnel to maintain a high level of readiness. The committee may be assured that General Greenlief's suggestions will receive the closest examination as we consider force mix options for the Air Force.

Senator **Exon**. What would be the impact on existing force capability and readiness of each of these alternatives?

Dr. **Korb**. If we approach such a move in a deliberate manner, i.e., carefully plan the bed-downs, have the necessary personnel on board, and transition training completed before the transfer of aircraft, any negative impact should be minimal. In fact, force capability should not diminish during the process. I think there could be a slight degradation of readiness during the initial stages, but again, this would be minimal.

Senator **Exon**. Dr. Philbin, what is your assessment of these suggestions and the Air National Guard's and Air Force Reserve's ability to carry out these suggested missions?

Dr. **Philbin**. The Air National Guard and the Air Force Reserve are capable of performing any mission for which they are given adequate resources. This has been exemplified by the many missions the Air Reserve Forces have been performing for years.

General Greenlief's suggestions should be given serious consideration while we are looking at options to attain the best possible mix of Active and Reserve Component forces. I believe his suggestions, possibly with some variations, are workable. There is one point that I feel has to be made. His suggestions talk only to the consolidation of aircraft and transitioning to the C-141 and C-5A in the Air National Guard. We must be careful not to overlook the important role the Air Force Reserve plays, particularly in the airlift arena through the Associate program

TRANSFER OF ACTIVE AIR FORCE MISSIONS

Senator **Exon**. General Gill, what is your personal opinion of your respective component's ability to carry out these suggested new missions?

General **Gill**. None of the missions mentioned are new mission areas for the Air Force Reserve. We are presently in the tactical fighter and attack missions, as well as the tactical and strategic airlift missions. For example, in the C-141 and C-5 program, we already provide essentially half the aircrews and 40 percent of the required wartime maintenance personnel. With this cadre of qualified people, I would, say that we are well positioned to accept either C-141s or C-5s as part of our force structure.

Can we increase our percentage of the total tactical fighter or airlift missions by consolidating current assets? The answer is yes. The consolidation of like equipment would free up existing established recruiting areas for additional equipage.

If it were indeed decided that a greater percentage of the current active/reserve force structure mix could be shifted to the reserve forces, then I would advise that this not be done precipitously. Instead, to be successful, it must be done programmatically. We must have the time to plan for and program the resources needed to make the transition.

TRANSFER OF ACTIVE AF MISSIONS TO ANG AND AFRES

Senator **Exon**. General Conaway, what is your personal opinion of your respective component's ability to carry out these suggested new missions?

General **Conaway**. The Air National Guard successfully carried out the strategic airlift mission through the mid 1970's and we look forward to the opportunity to reenter this mission area. There are several Air National Guard units which could be successfully converted to either the C-141B or the C-5A/B. To avoid creating new units we could consolidate C-130 units from 8 aircraft assigned to 16 aircraft assigned. We presently have two C-130 units operating with 16 aircraft assigned.

The majority of our fighter units are equipped with 18 aircraft, a less efficient equipage than 24. We could build most of these units to 24 aircraft at any time, thereby freeing up other units to accept new F-15s and F-16s. However, we would not support any proposal that would build the Air National Guard at the expense of reducing the active Air Force. Continued emphasis should be placed on force modernization, replacing older F-4Cs and C-130s, and on increasing equipage at existing units.

RESERVE COMPONENT INCENTIVES

Senator **Exon**. Dr. Korb, as you know, the Congress in 1979 authorized the Reserve Components to begin paying enlistment and reenlistment bonuses to help overcome serious personnel shortages in critical skills. In a report released earlier this month, the General Accounting Office found that at least in the case of the Army Reserve Components, these bonuses have been paid to persons with noncritical skills in low-priority units. What steps are you taking to insure that these bonuses are only used to fill critical skills in high priority units?

Dr. **Korb**. The GAO report was based primarily on fiscal 1981 data. Public law authorizes the use of reserve component incentives in connection with units and skills needed upon mobilization. Current Department of Defense policy permits the Army National Guard and Army Reserve to use incentives in designated units as well as in critical shortage skills needed to meet wartime requirements. A limitation of critical skill bonuses to high priority units only would delay the achievement of overall readiness as intended by Congress. The House Armed Services Committee Report 96-916 (30 April 1980), for example, recommended that additional funds be appropriated in fiscal year 1981 to "extend the incentives to all units of the Army National Guard and Army Reserve" because "the Selected Reserve will be fully committed within 60 days in a mobilization and, as a whole, is a crucial ingredient of our defense posture."

To insure better management of the incentives program, the Army has taken the following steps: deleted 775 units whose priority has been changed in accordance with revised deployment schedules; another 1300 units scheduled for deployment in 60 days or less were added; converted the critical skill bonus program from broad career categories to specific skills, principally combat, medical, and technical repair.

In addition, the Department of Defense has taken the following steps: committed resources to an analysis of the impact of incentives in designated units in comparison to similar units with no inventives. RAND Corporation is conducting the study. New bonus displays are being developed for the Official Guard and Reserve Manpower Strengths and Statistics report. The displays will enable DoD and Army planners to make further refinements to the bonus program consistent with manpower trends and objectives and the intent of Congress.

RESERVE BONUSES

Senator **Exon**. General Walker and General Berkman, would you please comment on the GAO report and the steps you are taking to improve the targeting of bonus dollars in the Army National Guard and Army Reserves?

General **Walker**. I agree in principle with the GAO general conclusions concerning the Incentive Program. The Army National Guard was already in the process of applying lessons learned from previous years. Effective October 1, 1982, all bonus units which were previously designated as high priority (grandfather) units and no longer bonus qualified have been eliminated as bonus units. Critical skills are now designated by military occupational specialty rather than the broader career management field, thereby providing more precise targeting to shortage skills. We also have initiated a process to periodically review, analyze, evaluate, and adjust our bonus system.

General **Berkman**. The GAO finding relating to the targeting of incentives stated that the Army needs to more effectively target incentive funds. The USAR agrees with the finding and the recommendation to eliminate the use of incentives for persons with non-critical skills in low priority units. Prior to the GAO study, the USAR in concert with the Army, was already in the process of analyzing the management of the fiscal year 1983 incentive program. Effective October 1, 1982, all bonus units which were previously designated as high priority (grandfather) units and no longer bonus qualified have been eliminated as bonus units. Critical skills are now designated by military occupational specialty rather than the broader career management field, thereby providing more precise targeting to shortage skills. We also have initiated a process to periodically review, analyze, evaluate, and adjust our bonus system.

ARMY GUARD MANNING—FISCAL YEAR 1984

Senator **Exon**. General Walker, the Army National Guard is budgeting for an endstrength of 421,094 in fiscal year 1984. What is the peacetime manning goal for Army National Guard?

General **Walker**. The fiscal year 1984 peacetime manning goal (Force Structure Allowance) for the Army National Guard is 433,800.

Senator **Exon**. Could you achieve a higher strength in fiscal year 1984 than currently assumed in the budget?

General **Walker**. The Army National Guard can achieve a strength of 433,000, approximately 12,000 above the fiscal year 1984 budgeted end strength.

Senator **Exon**. What would the additional strength cost in fiscal year 1984?

General **Walker**. The additional cost for this strength is approximately $75 million. Costs included are for pay and allowances, bonuses, recruiting and retention resources, and operation and support costs.

Senator **Exon**. General Berkman, the Army Reserve is budgeting for an end strength of 272,927 in fiscal year 1984. What is the peacetime manning goal for the Army Reserve?

General **Berkman**. The fiscal year 1984 peacetime manning (authorized) goal for the Army Reserve Troop Program Units is 270,951. The components of this strength are PDS and AGR personnel in a full time unit support role. The term peacetime manning goal only applies to the Troop Program Units.

The fiscal year 1984 budgeted Troop Program Unit end strength is 259,021 and is composed of 251,545 PDS and 7,476 AGR personnel in a full time unit support role.

The fiscal year 1984 budgeting end strength for the Selected Reserve is 272,927. The components of this end strength are:

Paid drill strength (PDS)	251,545
Individual mobilzation augmentee (IMA)	10,718
Active Guard/Reserve (AGR)	10,664
Total	272,927

Senator **Exon**. Could you achieve a higher strength in fiscal year 1984 than currently assumed in the budget?

General **Berkman**. Yes. The fiscal year 1984 budgeted Troop Program Unit end strength is 259.0K and the corresponding Peacetime Authorized strength is 271.0K. An additional 12.0K personnel in paid drill strength in fiscal year 1984 would bring the USAR to the Peacetime Authorized level. If the strength caps were removed and adequate funds provided, the USAR could achieve a PDS of 274,000. This accomplishment would require a PDS growth of 22.5K which equates to the demonstrated fiscal year 1982 growth experience.

Senator **Exon**. What would this additional strength cost in fiscal year 1984?

General **Berkman**. Costs associated with increasing fiscal year 1984 Paid Drill End Strength by 12,000 includes $22.3 million for Reserve Personnel, Army; $11.7 million for Operations and Maintenance, Army Reserve and $6.5 million for increasing the training base. The total cost is $40.5 million.

Costs associated with increasing fiscal year 1984 Paid Drill Strength by 22,500 includes $41.8 million for Reserve Personnel, Army; $22.0 million for Operations and Maintenance, Army Reserve and $19.0 million for increasing the training base. The total cost is $82.8 million.

Senator **Jepsen**. Do any of you have any closing remarks?

General **Roberts**. No, sir.

General **Greenlief**. No, sir.

Captain **Coleman**. No, sir.

Chief **Thomas**. No, sir.

Senator **Jepsen**. Thank you very much.

General **Roberts**. Thank you, sir.

General **Greenlief**. Thank you, sir.

Captain **Coleman**, Thank you, sir.

Senator **Jepsen**. We have now completed our hearing on Reserve manpower.

[Whereupon, at 3:30 p.m., the subcommittee proceeded to other business.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1984

WEDNESDAY, MARCH 23, 1983

U.S. SENATE,
SUBCOMMITTEE ON MANPOWER AND PERSONNEL,
COMMITTEE ON ARMED SERVICES,
Washington, D.C.

CIVILIAN MANPOWER REQUIREMENTS AND CONTRACTING-OUT PROGRAM

The subcommittee met in open session, pursuant to notice, at 2:04 p.m., in room SR-222A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senator Jepsen.

Staff present: Anthony J. Principi, counsel; Brenda K. Hudson, assistant chief clerk; Richard D. Finn, George K. Johnson, Jr., David S. Lyles, José E. Martinez, professional staff members; Jacquie S. O'Grady, and Mary Kampo, staff assistants.

Also present: Ron Kelly, assistant to Senator Humphrey; Dale Gary, assistant to Senator Cohen; Kathleen Callahan, assistant to Senator Bingaman; Greg Pallas, assistant to Senator Exon.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator **JEPSEN**. The subcommittee will come to order.

The Subcommittee on Manpower and Personnel convenes this afternoon to continue its consideration of the Department of Defense manpower request for fiscal year 1984.

This year the subcommittee has elected to structure its hearings along functional component lines rather than by service. We recognize that all units in the force structure—Active and Reserve military and civilian personnel—contribute to our success in wartime.

The functional approach will help to stress the importance of each component, their contribution to our total military capability and, most importantly, afford us the opportunity to take a closer look at the unique requirements, trends, and problems associated with each component.

Today, the subcommittee will receive testimony on civilian manpower requirements for fiscal year 1984 and on the Department of defense's contracting-out program. Civilians constitute 25 percent of defense's manpower and perform a broad range of support services to the Active and Reserve military. The Department has requested an increase of 16,000 civilians in fiscal year 1984 over the fiscal year 1983 level. During the past few years there has been a significant increase in civilian end strength.

The programed end strength for fiscal year 1984 represents an increase of 82,000 over the fiscal year 1980 actual figures. We agreed to reverse the defense employment trends of the previous decade in order to meet our essential readiness goals.

We must be mindful, however, that there are economic pressures to reduce the growth rate in defense spending. As we are all aware, the Budget Committees of both Houses of Congress have either taken action or are contemplating deep cuts in defense spending.

Manpower costs account for a very substantial portion of the budget outlays for fiscal year 1984—the payroll alone exceeds $90 billion which is 40 percent of the budget—and this payroll is going to receive close scrutiny. It is therefore incumbent upon the administration to dramatically increase the efficiency of its manpower operations.

In this regard I would like to take just a few moments to express my views on a program which has been the subject of much debate in Congress, called contracting-out. I believe in the philosophy of this program. However, I am deeply concerned that if we are not careful we could destroy its effectiveness.

In my opinion, reliance on the private sector for commercial and industrial type services which are not inherently governmental, offers the Government a valuable opportunity to operate more efficiently and cost effectively. Not only does it result in significant cost savings, but it also has the added benefit of removing the Government from unnecessary competition with the private sector. It is a sound philosophy of Government management not to compete with its own citizens when a commercial job can be more efficiently performed by the private sector without any degradation in military readiness.

Given the proven benefits of our contracting-out policy, we must endeavor to resolve the perceived problems that the lack of information on the implementation of this program has created. Operational and political problems have continued to erupt. The controversy surrounding this program at DOD has taken on a dimension far out of proportion to the program's relative importance as a supporting activity to our national defense efforts.

The principal factor which has stimulated the controvery regarding the contracting-out appears to be the direct and indirect threat to military readiness posed by the OMB and the DOD mandate to proceed with programed, mandatory, conversion of commercial-type functions to contract stewardship.

As a result of political considerations and the perceived inadequacies in DOD's program, we have witnessed a recurring reaction against contracting-out which at best results in inefficiencies and counterproductive efforts. We now seem to operate on an ad hoc year-to-year policy which threatens to render the program ineffective. Moreover, an uncertainty has developed creating an unsettling environment for both Government and industry. Large and small businesses are beginning to question their continued involvement with the Government.

One thing is certain—there is a significant degree of anxiety and agitation about DOD's implementation of the program. This is evidenced by the continuing efforts to dismantle or restrict the program. Whether this anxiety is justified or not remains a question to many in the Congress.

While I personally do not share the anxiety of some of the Members of Congress, I do believe that it can best be combated by a better, more complete understanding of the program.

We have seen what this agitation and concern over the program has created. There has been serious intervention into and impairment of the procurement process resulting in a serious imprint on the mobilization of our defense industry base. DOD is now operating under a 6-month moratorium on the performance of cost comparison studies and a year's prohibition on contracting for fire and security services.

These were instituted largely as the result of a deeply felt concern about the readiness implications of the A-76 program. I am certain that the imposition of these restrictions upon DOD, while allegedly intended to improve readiness, could have the opposite effect. They unquestionably limit the Secretary's options and ability to manage his resources in the performance of specific missions.

There has been no thorough or complete factual evaluation of DOD operation of the program nationwide. Before we can exercise our judgment and authority over this important program, we need a sound, factual data base upon which to ground our decisions. The American public deserves our full and fair deliberation based on the facts.

I believe the facts exist. I believe that DOD has in place a responsible, informed methodology on which to exercise its tempered discretion in implementing this program. Unfortunately, not everyone shares my belief in the integrity of the process. The uncertainty and anxiety generated by isolated, undocumented examples has created an atmosphere which has allowed the year-to-year reactionary approach to continue.

One perception that some who question the program have is that the Office of Management and Budget intrudes into DOD's operations and decisionmaking by exerting undue pressure concerning the contracting-out program.

Another criticism and perception has been that the decisions to contract or not to contract have been forced from the top down to the local commander. It has been argued that the major commanders have no meaningful role in the decisionmaking. Just as bad is a system whereby decisions are made from the bottom up. Such a system creates an inconsistent, disorderly pattern of function performance. We need a clearer understanding of how these decisions are made to insure meaningful involvement of major commanders in a problem-solving capacity.

I hope that these hearings will provide us an opportunity to analyze the problem and to work jointly toward its long-term resolution.

I hope the witnesses today will be willing to work with us to cure the state toward which our A-76 program is moving. Specifically, I hope that you would put forward, in highly visible terms, the policy and implementing roles which best assure that the contracting-out program can move forward without degrading military readiness.

Our witnesses today are Mr. Jerry Calhoun, Deputy Assistant Secretary of Defense for Civilian Personnel Policy and Requirements; Maj. Gen. Keith McCartney—an Iowan—Air Force Director of Manpower and Organization; Mr. Harry West, Deputy Director of Army Manpower Programs and Budget, and Mr. H. Lee Dixson, Director, Civilian Manpower Division, Office of the Navy Comptroller.

We have in a later panel Capt. John Kinert, U.S. Navy, commanding officer, Submarine Base, Bangor, Wash., and Lt. Col. John C. Bush, U.S. Army, Contract Administrator for Support Services Contract, from Fort Gordon, Ga.

Mr. Donald Sowle, the Administrator of the Federal Procurement Policy, Office of Management and Budget, was to testify today but due to our change in hearing schedule he is unable to do so. He prepared a statement which will be inserted in the record following the statements of today's witnesses.

[See p. 1600.]

Senator **Jepsen**. Welcome, gentleman.

Mr. Calhoun, you may proceed as you see fit.

Before we start I would suggest to you that without having to request that all of your statements, that is, prepared statements, will be entered into the record as if read.

So, you may work with them as you see fit, either read them or summarize them—or ignore them completely and just talk. But in whatever case, please know they will be entered into the record as if read.

I have a vote that I must go to which is a minor, noncontroversial amendment eliminating Federal employees from social security. [Laughter.]

So, I think what I should do is to go vote and immediately come back. It will take about 5 minutes. We will just recess for 5 minutes.

[Recess.]

Senator **Jepsen**. Mr. Calhoun, whatever order you so desire, you may proceed.

STATEMENT OF JERRY CALHOUN, DEPUTY ASSISTANT SECRETARY OF DEFENSE, CIVILIAN PERSONNEL POLICY AND REQUIREMENTS

Mr. **Calhoun**. Thank you very much, Mr. Chairman. We appreciate the opportunity to appear before you today to discuss the fiscal year 1984 Defense Department civilian manpower program and our efforts to improve the productivity of our operations.

You have already introduced the gentlemen at the table who accompany me, so I will not reintroduce them.

I have a written statement for the record and will present a few highlights from that statement.

Our requirement for civilian end strength reflects our basic policy to minimize requirements for military personnel by employing DOD civilians or private contractors to perform jobs which are not needed for deployment or military rotation, and where there will be no, if you will, adverse impact on combat readiness or warfighting capability.

Our intention to employ the numbers of civilians necessary to meet the essential readiness goal was demonstrated by the reversal of the defense employment trends over the past decade. Civilian end strength declined by about 30 percent between the years 1968 and 1980.

In fiscal year 1981, the administration reversed the downward trend. In 1984 we plan to employ 1,072,174 civilians, approximately 1 civilian for every 2 active duty personnel.

The civilian payroll is estimated at $26.7 billion or about 11.1 percent of the total defense outlays contained in the budget. For this investment we will employ approximately 986,479 direct-hire end strength and 85,695 indirect personnel. I do not anticipate that the demographics of our fiscal year 1984 work force will look substantially different from our fiscal year 1982 actuals.

Of the total 947,061 direct-hire employees in fiscal year 1982, about 35 percent were blue-collar employees, the balance are general schedule. The Department of Defense is a strong advocate of equal opportunity. Approximately one-fourth of our employees are minorities and one-third are women.

Civilian manpower is a crucial resource to achieving our readiness objectives. As shown in the defense manpower requirements report, civilian manpower is the primary resource in meeting our logistic support requirements which include supply and distribution activities and depot level maintenance of ships, aircraft, and ordnance.

Prior to discussing our fiscal year 1984 budget, I would like to discuss the adjustments in the fiscal year 1983 budget. We have used the 2-percent flexibility to increase our 1983 end strength estimate by 6,125 over the authorized level of 1,050,060. Thus, our total end strength increased 20,703 over the original 1983 budget submission. This increase reflects the following actions:

In accordance with congressional direction all 15,820 civilian end strength which had been deleted from the component end strength request in conjunction with the A-76 cost program were restored. Also, the 3,000 Navy commissary positions were restored to appropriated fund status.

Army end strength was increased to meet depot maintenance requirements and comply with the congressional directions on retaining Guard technicians in civilian status.

Air Force end strength was also increased to retain Guard technicians in civilian status.

Defense agencies were increased to restore the Prompt Payment Pay Act plus-up of 118 within DLA. The Defense Inspector General's Office has a plus-up of 380. Increases in controller, R&E, and other ASD workloads involve a plus-up of 66, support of classified projects in DCA represent a plus-up of 112, and within the Defense Mapping Agency there is a plus-up of 40.

Civilian end strength is programed to increase by about 16,000 between the years 1983 and 1984. Detailed summaries of civilian end strength adjustments by program are contained in the OSD operation and maintenance overview—fiscal year 1984, and the defense manpower requirements report for fiscal year 1984.

I would like to spend a few minutes, if you do not mind, to highlight some of the more significant adjustments contained in the budget as follows:

The Army major increases support readiness-related programs and European ammunition and supply which is plus 1,017, and European support which is plus 668, and construction support which is plus 838; a 4,259 increase is programed to support modernization programs as well.

As the result of congressional concern expressed in the 1983 authorization process, we reduced the level of civilian end strength programed to reduce the incidence of borrowed military manpower from 16,800 to 14,300. Army is pursuing defense policy to minimize uniformed personnel requirements by programing the conversion of 2,000 uniformed positions in support units to civilian positions. The Army plans a civilian intern increase of 763 end strength.

The Navy: The more significant civilian increases support direct readiness-related functions including 959 for improved inventory management at Navy supply centers: 446 to man Military Sealift Command fleet support ships; fleet operating bases will receive approximately 597 additional civilians to support enhanced operational readiness.

Air Force: The major increase supports logistics requirements for flying hour programs, which is 1,200, and the logistics productivity enhancement and surge capability which is 2,200.

Defense agencies: Insofar as they are not represented here today, I would like to take the role, if you will, of their advocate in stressing that defense agencies perform missions which are essential to readiness, and they also pursue economies and efficiencies through A-76 cost studies, efficiency reviews, and interservice and intraservice support agreements.

Civilian end strength increases include 836 for the Defense Logistics Agency to support increased workload associated with procurement; the DOD Dependents Schools require 401 additional civilians in order to comply with Special Education Act requirements, and the U.S. University of the Health Sciences end strength increases by 103 for additional staff and support for increased student enrollment and to perform research funded by NIH research grants. Additional end strength is programed to support the Defense Inspector General's Office, 55; the Defense Nuclear Agency, 61; and other increases to support classified programs in the intelligence area.

Our end strength levels mark departures from past programing practices. In accordance with congressional direction, all civilian end strength which had been deleted as part of the 1983 commercial activities cost study program has been restored and no additional spaces were deleted in 1984 for the outyears.

The restoration of spaces in 1983 insures that DOD will comply with section 305(b) which makes $285.5 million of authorized funds available only for cost of employment of direct-hire employees in excess of 947,000 such employees.

In accordance with section 601(c)(2) of the 1983 Authorization Act, fractional accounting rules will be applied to dependents living overseas and employed by the Federal Government starting in fiscal year 1983. We thank the Congress for facilitating additional employment opportunities for families of personnel assigned overseas.

Our fiscal year 1983 civilian end strength levels may increase over current estimates as the result of section 788 of Public Law 97-377. This provision of the appropriations act prohibits DOD from imposing personnel ceilings in industrially funded activities. These activities include about 30 percent of our work force. While there will be no ceilings in these activities, we are emphasizing that the components should follow staffing practices which insure that programed workload is accomplished within budgeted receipts for the services rendered by the industrially funded activities.

DOD plans to evaluate how the lifting of ceilings affects the operations of industrially funded activities in 1983 and will report to Congress on our findings. We hope to demonstrate that DOD can manage more efficiently when provided greater management flexibility. We ask your support for this 1-year test.

In light of this test, the Department requests further consideration of our previous request that Congress discontinue statutory personnel ceilings and permit the Department to manage civilian employment levels through funded workload.

In fiscal year 1982, Congress removed direct controls over the number of DOD positions grades GS–13 and higher. Since then, we have followed Congress directive to use a strong position management program to moderate future rate growth.

In addition to expanding our civilian work force to meet peacetime requirements, we are examining how many more workers would be needed during mobilization and how we would obtain this additional labor.

Our attention is not only focused on identifying resources necessary to execute peacetime and wartime defense programs. If DOD is to maximize the strength of its defense posture in today's climate of high cost and limited Government resources, improvement in productivity is essential. We are actively pursuing a productivity-improvement strategy to insure that resources are used in the most efficient manner. This strategy employs three interrelated approaches: Operational improvements through efficiency reviews; commercial activity cost studies; and intra and interservice support agreements, funding productivity enhancing capital investments, and work force motivation efforts.

We are continuing to place strong emphasis on programs that show potential for making our base support operations less costly and we have found that competition between in-house operations and the private sector, under the procedures of OMB Circular A–76 is, if you will, a surefire way to save money. Under A–76 procedures, commercial-type functions that do not need to be performed in-house are studied for possible conversion to contract. A thorough review, if you will, of these job requirements is made and a performance work statement is developed.

Through this we often find new, more efficient ways to perform the work in-house with fewer people. Regardless of whether the activity is converted to contract or retained in-house, a savings often is realized to the Department and to the taxpayers. We estimate total savings from this program are now in excess of $140 million per year.

While this program has significant impact on our civilian personnel end strength levels, our objective in pursuing this program is to realize the savings not to hide our work force or to circumvent personnel ceilings.

Last year, the Congress imposed a 6-month moratorium on starting new A-76 cost studies and prohibited us from contracting for guards and firefighters. The moratorium will expire the end of this month but the prohibition on contracting for guards and firefighting extends through the entire fiscal year.

The Armed Forces have a long and successful history of contracting for guard and firefighting services, both with private contractors and local communities. I urge this committee to let us return to competition for these services where it is reasonable to do so.

Wherever national defense requires that an activity be kept inhouse, be assured that we will certainly do so.

The congressional restrictions coupled with a recognized need to improve the quality of our A-16 studies have prompted a more modest study schedule for fiscal year 1983 and fiscal year 1984. We estimate that 10,000 spaces will be studied in each year. Based on our past experience, we estimate that about 3,000 to 5,000 spaces will be converted to contract in each of those years.

This committee also expressed an interest in the Department's policy on the use of small and disadvantaged business and the implementation of commercial activities programs. Mr. Carlucci wrote to the Military Departments on June 1, 1982, telling them that, "future solicitations, unless there are overriding national security considerations, will be packaged so as not to preclude performance by small and disadvantaged concerns as prime contractors." The purpose of the policy was to help accomplish our twin goals of saving money through competition and getting more work into the small business sector.

Since we have put the policy into effect, there appears to have been a significant reduction in the number of functions being competed in the big and small business sectors. We are now reevaluating the situation to see if we can smooth out the process so as to achieve both goals.

Mr. Thayer has told us to prepare a new memorandum for him to sign—one that permits umbrella contracting as long as our contracting officers encourage more subcontracting to small businesses.

While we recognize that competition with the private sector is the major factor contributing to the success of the A-76 program, we believe that the use of performance work statements to help find a more efficient way to operate is also very significant.

We are expanding the use of performance work statements as part of a DOD-wide efficiency review program for activities that are not suitable for conversion to contract. Functions that are governmental or required in-house for national defense reasons will undergo efficiency reviews using the techniques employed in the A-76 studies. We expect this program to begin producing savings, hopefully, next year.

In addition to these programs, civilian personnel will be affected by new steps we have taken to get the services to consolidate support operations on a regional basis.

An integral part of achieving operational improvement is to provide our work force with more efficient equipment and facilities. The DOD productivity enhancing capital investment program was instituted in 1977 to meet this need and provides for investment initiatives at all organizational levels, but at modest funding levels.

The fiscal year 1984 budget contains requests for $178 million in productivity enhancing capital investment funds. Of these, $35 million are for the fast payback investment fund; $129 million are for productivity investment fund projects, and $14 million are for component sponsored projects. These requests represent future projected lifetime savings of over $1.5 billion. This reflects an internal rate of return of close to 80 percent. All costs of investment should be recoverable within the first 3 years of operation.

From a personnel standpoint, they represent the equivalent of over 4,500 military and civilian spaces which will be realined to direct and support mission areas.

We request your support of our productivity investment fund program in order to maintain our commitment to innovation and productivity improvements. Last year, the Appropriations Act reduced our funding level by $28 million or 21 percent. As a result, we expect to have to spend an additional $130 million over the next 5 years than we would have had to spend to accomplish the same workload with more efficient equipment and processes.

The Department is adopting policies to reverse the perception that there is no regard for improving productivity. Examples of the positive incentives for productivity improvement include the following: Activities are permitted to reallocate savings generated from productivity enhancing capital investments in order to resource deferred requirements. The components are encouraged to specifically consider productivity improvement records in merit pay and internal resource allocation policies. We also consider component accomplishments in achieving more efficient operations in allocating civilian end strength. Components with better records in achieving efficient operations receive special consideration in establishing civilian end strength levels and distributing shortages where they occur.

I would like to close my statement by stressing that civilian resources are essential in meeting our responsibility to defend our Nation. Our end strength requirements reflect our best estimates of resources required to execute the program and workload contained in this year's budget. Our emphasis on productivity improvement reflects our responsibility to the Nation to manage resources carefully and to enhance the long-term effectiveness of the investment in defense by introducing more economic operations where possible.

Thank you very much.

[The prepared statement of Jerry Calhoun follows:]

PREPARED STATEMENT OF JERRY L. CALHOUN, DEPUTY ASSISTANT SECRETARY OF DEFENSE FOR CIVILIAN PERSONNEL POLICY AND REQUIREMENTS

INTRODUCTION

We appreciate the opportunity to appeare before you to discuss the fiscal year 1984 Department of Defense civilian manpower program and our efforts to improve the productivity of our operations. Our requirement for civilian end strength reflects our basic policy to minimize requirements for military personnel by employing DOD civilians or private contractors to perform jobs which are not needed for deployment or military rotation, or where their use will not adversely impact on combat readiness and war fighting capability. Components are directed to program adequate military personnel to meet military contingencies, to program civilians in functions which are governmental in nature and then to program the cost efficient mix of civilian, military and contractor personnel to meet the balance of requirements.

Our intention to employ the number of civilians necessary to meet our essential readiness goals is demonstrated by the reversal of Defense employment trends of the previous decade. Civilian end strength declined by about 30 percent between 1968 and 1980.

In fiscal year 1981, this Administration reversed the trend as follows:

DOD CIVILIAN EMPLOYMENT

[In thousands by fiscal year]

	Actual					
	1968	1980	1981	1982	1983	1984
Total [1]	1,393	990	1,019	1,030	1,056	1,072
Direct hire [1]	1,274	916	940	947	969	986
Indirect hire	119	75	80	83	87	86

[1] Excludes civil functions.

In 1984 we plan to employ 1,072,174 civilians—approximately one civilian for every two active duty personnel. The civilian payroll is estimated at $26.7 billion or about 11.2 percent of total Defense outlays contained in the Budget. For this investment, we will employ 986,479 direct hire end strength and 85,695 indirect hire personnel.

I do not anticipate that demographics of our fiscal year 1984 workforce will look substantially different from our fiscal year 1982 actuals. Of the total 947,061 direct hire employees, about 35 percent were blue collar employees, the balance are General Schedule. The Department of Defense is a strong advocate of equal opportunity. Approximately one fourth of our employees are minorities, and one-third are women. The average age of our employees was 42 years, over 57 percent were 40 years or older; 23 percent of the workforce is currently retirement eligible or will be retirement eligible within the next five years.

DOD employs a wide spectrum of occupational groups, all of which are linked to essential Defense missions. In fiscal year 1982, almost two-thirds of a million white collar workers supporting Defense missions were distributed into broad functional occupational groups. The groups are administrative (25 percent), clerical (33 percent), technical (19 percent), professional (18 percent), and other (5 percent).

Close to one-third of a million blue collar labor force were concentrated in depot-level maintenance and repair of aircraft and ships and in the support of base operations. Skilled crafts accounted for 82 percent, including electronic mechanics and electricians, machine tool, metal workers, pipe fitters, aircraft mechanics and various mechanics, repairmen, production workers, and technicians. The other 18 percent were employed in installation maintenance, logistics support, and vehicle operation.

Civilian manpower is a critical resource to achieving our readiness objectives. As shown in the Defense Manpower Requirements Report, civilian manpower is the primary resource in meeting our logistics support requirements which includes supply and distribution activities and depot level maintenance of ships, aircraft, and ordnance. Civilians are also the primary resource for base operations support, and in meeting research and development requirements. In addition, civilians also contribute a substantial portion of our full-time assets directed to medical and personnel support, personnel training and essential auxiliary activities including intelligence and communications activities.

The following testimony identifies and provides rationale for end strength in fiscal year 1984 and adjustments in 1983 end strength levels as compared to the President's fiscal year 1983 budget submission; highlights DOD program adjustments that resulted from Congressional direction; and describes our efforts to improve productivity in order to constrain growing resource requirements.

FISCAL YEAR 1983 ADJUSTMENTS

Prior to discussing our fiscal year 1984 Budget, I would like to discuss adjustments to the fisal year 1983 budget. We have used the 2 percent flexibility to increase our 1983 end strength estimate by 6,125 over the authorized level of 1,050,060 as follows:

DOD CIVILIAN STRENGTHS DIRECT AND INDIRECT HIRES

	President's fiscal year 1983 budget request	Fiscal year 1983 allocation of statutory authorization	Net change
Army	386,444	392,780	+6,336
Navy	320,572	330,736	+10,164
Air Force	242,839	246,160	+3,321
Defense agencies	85,627	86,509	+882
Total	1,035,482	1,056,185	+20,703

The 20,703 increase over our original 1983 budget submission reflects the following actions. In accordance with Congressional direction, all 15,820 civilian end strength which had been deleted from Component end strength requests in conjunction with the A-76 cost study program were restored. Also, the 3,000 Navy commissary positions were restored to appropriated fund status. Arny end strength was increased to meet Depot Maintenance requirements and to comply with Congressional directions on retaining guard technicians in civilian status. Air Force end strength was also increased to retain guard technicians in civilian status. Defense Agencies were increased to resource the Prompt Pay Act (+118, DLA), the Defense Inspector Generals Office (DAS, +380), increases in Comptroller, R&E, and other ASD workload (+66) and to support classified projects in DCA (+112) and DMA (+40).

FISCAL YEAR 1984 CIVILIAN END STRENGTH

Civilian end strength is programmed to increase by about 16,000 between 1983 and 1984.

	Fiscal year 1983	Fiscal year 1984	Increase
Army	392,780	399,981	+7,201
Navy	330,185	334,278	+3,542
Air Force	246,160	249,664	+3,504
Defense Agencies	86,509	88,251	+1,742
Total	1,056,185	1,072,174	+15,989

Note.—Numbers include both direct and indirect hire personnel.

Detailed summaries of civilian end strength adjustments by program are continued in the OSD Operation and Maintenance Overview: fiscal year 1984 and the Defense Manpower Requirements Report for fiscal year 1984. I would like to spend a minute to highlight the more significant adjustments contained in the Budget as follows:

Army.—Major increases support readiness related programs in European Ammunition and Supply (+1,027), and European support (+668), and construction support (+838); a 4,259 increase is programmed to support modernization programs. As the result of Congressional concerns expressed in the 1983 Authorization process, we reduced the level of civilian end strength programmed to reduce the incidence of borrowed military manpower from 16,800 to 14,300. Army is pursuing Defense policy to minimize uniformed personnel requirements by programming the conversion of 2,000 uniformed positions in support units (TDA) to civilian positions. The Army plans a civilian intern program increase of 763 end strength.

Navy.—The civilian increases support direct readiness related functions including 959 for improved inventory management at Navy supply centers, 446 to man Military Sealift Command fleet support ships, fleet operating bases will receive 597 additional civilians to support enhanced operational readiness. The Navy also plans increases in medical and training operations (386), ordnance maintenance (260) and support of Marine Corps activities (280).

Air Force.—Increases will support logistics requirements for the flying hour program (1,200), logistics productivity enhancement and surge capability (2,200), ground launched cruise missile (GLCM) basing (200), consolidation of space center operations (200), and reserve force structure increases (200). Increases in specific programs are partially offset by cost savings programs (−800).

Defense agencies.—I would like to take on the role of advocate for Defense Agency requirements in stressing that Defense Agencies perform missions which are essential to readiness and they also pursue economics and efficiencies through A-76 cost studies, efficiency reviews, and inter- and intra-service support agreements. Civilian end strength increases include 836 for the Defense Logistics Agency to support increased workload associated with procurement; the DoD Dependents Schools require 401 additional civilians in order to comply with Special Education Act requirements and the United States University of the Health Sciences end strength increases by 103 for additional staff and support for increased student enrollment and to perform research funded by NIH research grants. Additional end strength is programmed to support the Defense Inspector General's Office (55), the Defense Nuclear Agency (61) and other increases to support classified programs in the intelligence area.

CONGRESSIONAL INTEREST ITEMS

Our end strength levels mark departures from past programming practices. In accordance with Congressional direction, all civilian end strength which had been deleted as part of the 1983 commercial activities cost study program have been restored and no additional spaces were deleted in 1984 or the out years. The restoration of spaces in 1983 ensures that DOD will comply with section 305(b) which makes $283.8 million of authorized funds available only for costs of employment of direct hire employees in excess of 947,000 such employees.

In accordance with Section 601C(2) of the 1983 Authorization Act, fractional accounting rules will be applied to dependents living overseas and employed by the Federal government, strating in fiscal year 1983. We thank the Congress for facilitating additional employment opportunities for families of personnel assigned overseas.

Our fiscal year 1983 civilian end strength levels may increase over current estimates as the result of Section 788 of Public Law 97-377. This provision of the Appropriation Act prohibits DOD from imposing personnel ceilings in industrially funded activities. These activities include about 20 percent of our workforce. While there will be no ceilings in these activities, we are emphasizing that the components follow staffing practices which ensure that programmed workload is accomplished within budgeted price. DOD plans to evaluate how the lifting of ceilings affects the operations of industrially funded activities in 1983 and will report to Congress on our findings. We hope to demonstrate that DOD can manage more efficiently when provided greater management flexibility. We ask your support for this one year test.

In light of this test, the Department requests further consideration of our previous requests that Congress discontinue statutory civilian personnel ceilings and permit the Department to manage the civilian employment level through funded workload.

In fiscal year 1982, Congress removed direct controls over the number of DOD positions graded GS-13 or higher. Since then we have followed Congress' directive to use a strong position management program to moderate future high-grade growth. Since fiscal year 1979, the high grade portion of our labor force has expanded slightly more rapidly than the total number of DOD civilians in order to accommodate the technical complexity of the jobs that our civilians perform. We expect high grade positions to increase at a very moderate pace for the next two fiscal years. Increases that occur will accommodate conversion of military officer billets to civilian positions, increasing technical requirements, and end strength growth.

In addition to expanding our civilian workforce to meet peacetime requirements, we are examining how many more workers would be needed during mobilization and how we would obtain this additional labor. The increased emphasis in this area redresses a long period of neglect. During the Fall 1982 mobilization exercise, we tested our emergency procedures for obtaining civilians at Army, Navy and Air Force installations in the Virginia Tidewater region. We identified several problems that could hamper a rapid expansion of our civilian workforce. DOD is working with the Department of Labor and the Federal Emergency Management Agency to ensure that we are ready to get the people needed to support the military during any type of crisis.

EFFORTS TO ACHIEVE MORE EFFICIENT OPERATIONS

Our attention is not only focused on identifying resources necessary to execute peacetime and wartime Defense programs. If DOD is to maximize the strength of our Defense posture in today's climate of high costs and limited government resources, improvement in productivity is essential. We are actively pursuing a productivity improvement strategy to insure that resources are used in the most efficient manner. This strategy employs three interrelated approaches: operational improvements through efficiency reviews, commercial activity cost studies, and intra- or inter-service support agreements, funding productivity enhancing capital investments; and workforce motivation efforts.

We are continuing to place strong emphasis on programs that show potential for making our base support operations less costly. We have found that competition between in-house operations and the private sector, under the procedures of OMB Circular A-76, is a "surefire" way to save money. Under A-76 procedures, commercial type functions that do not need to be performed in-house are studied for possible conversion to contract. A thorough review of job requirements is made and a performance work statement is developed. To determine the most efficient in-house organization to compete against private contractors, the in-house workforce often finds new, more efficient ways to perform the work in-house with fewer people. In the past four years, we have conducted over 800 bidding competitions. About half of these competitions were won by our newly streamlined organizations. Regardless of whether the activity is converted to contract or retained in-house, a savings if often realized to the departments and the taxpayers. We estimate total savings from this program are now in excess of $140 million a year.

While this program has a significant impact on our civilian personnel end strength levels, our objective in pursuing the program is to realize the savings we achieve, not to hide our workforce or to circumvent personnel ceilings. We recognize the concern of the Congress in this regard, and no longer reduce end strength in anticipation of contract conversions, and have restored the 15,820 spaces that were removed from the fiscal year 1983 budget.

We also feel a responsibility to our federal employees.

We convert to contract only if there are significant savings of at least 10 percent of Government cost.

If there is a conversion, displaced federal employees have priority placement in other federal jobs.

We require contractors to give displaced federal employees the right of first refusal for their jobs.

Last year, the Congress imposed a six-month moratorium on starting new A-76 cost studies and prohibited us from contracting for guard and firefighting services. The moratorium will expire at the end of this month, but the prohibition on contracting for guard and firefighting extends through the entire fiscal year. The armed forces have a long and successful history of contracting for guard and firefighting services, both with private contractors and local communities. I urge this committee to let us return to competition for these services where it is reasonable to do so. Wherever national defense requires that an activities be kept in-house, we will certainly do so.

These restrictions, coupled with a recognized need to improve the quality of our studies has prompted a more modest study schedule for fiscal year 1983 and fiscal year 1984. We estimate that 10,000 spaces will be studied each year. Based upon our past experience, we estimate that about three to five thousand spaces will be converted to contract each year. We have not completed our review of OMB's proposed revision to Circular A-76, but it appears that the cost study procedures are easier to understand and should simplify the cost comparison process.

This committee also expressed an interest in the Department's policy on the use of small and disadvantaged businesses in the implementation of the commercial activities program. Mr. Carlucci wrote to the Military Departments on June 1, 1982, telling them that, "future solicitations, unless there are overriding national security considerations, will be packaged so as not to preclude performance by small and disadvantaged concerns as prime contractors." The purpose of the policy was to help accomplish our twin goals of saving money through competition and getting more work into the small business sector.

Since we have put that policy into effect, there appears to have been a significant reduction in the number of functions being competed in the big and small business sectors. We are now reevaluating the situation to see if we can smooth out the process so as to achieve both goals.

Mr. Thayer has told us to prepare a new policy memorandum for him to sign—one that permits umbrella contracting as long as our contracting officers encourage more subcontracting to small businesses.

While we recognize that competition with the private sector is the major factor contributing to the success of the A-76 program, we believe that the use of Performance Work Statements to help find a more efficient way to operate is also significant.

We are expanding the use of Performance Work Statements as part of a DOD-wide efficiency review program for activities that are not suitable for conversion to contract. Functions that are governmental or required in-house for national defense reasons will undergo Efficiency Reviews using the techniques imployed in the A-76 studies. We expect this program to begin producing savings next year. Savings may not be as great as we realize through the A-76 program. However, the program will cover a much larger segment of our civilian workforce. In 1984, the Service budgets reflect civilian manpower savings from efficiency review programs as follows: Army (1,232) spaces, Navy (500) spaces and Air Force (800) spaces.

In addition to these programs, civilian personnel will be affected by new steps we have taken to get the Services to consolidate support operations on a regional basis. During the past year, we have directed the consolidation of family housing and real property maintenance in Panama, family housing in Hawaii, and civilian personnel offices in Stockton, California. At the present time, the Services are also jointly studying 11 support functions on a worldwide basis to determine the potential savings from a single-manager concept.

An integral aspect of achieving operational improvement is to provide our workforce with more efficient equipment and facilities. The DOD Productivity Enhancing Capital Investment Program (PECI) was instituted in 1977 to meet this need and provides for investment initiatives at all organizational levels, but at modest funding levels.

Currently the PECI program includes three major elements—Productivity Enhancing Incentive Funds (PEIFs); Productivity Investment Funds (PIFs); and Component Sponsored Investment (CSI) funding. PEIF funds, also referred to as "fast payback," provide immediate financing for small dollar investments which return their costs in two years or less. PIF funds major investments ($100,000 or more) in both equipment and facilities and must return the cost of investment within four years. Component sponsored investment funds complement the two DOD sponsored programs (PEIF and PIF) and are more directly oriented to individual Service and Agency priorities and needs.

The fiscal year 1984 budget contains requests for $178 million in PECI funds. Of these, $35 million are for "fast payback" investment funds, $129 million are for PIF projects and $14 million are for Component sponsored projects. These requests represent future projected lifetime savings of over $1.5 billion dollars. This reflects an internal rate of return of close to 80 percent. All costs of investment should be recoverable within the first three years of operation. From a personnel standpoint, they represent the equivalent of over 4,500 military and civilian spaces which will be realigned to direct and support mission areas.

The PECI program complements the industrial fund capitalization program sanctioned by Congress in the 1983 Defense Authorization Act by providing opportunities in appropriated fund activities to make high payoff capital investments. Prior to fiscal year 1983, industrially funded activities were major recipients of PIF and had their own fast payback investment program.

The success of the overall PECI program has resulted in the identification of a large number of investment opportunities—more than we can currently accommodate within the present funding levels. We expect many new opportunities for productivity improvement through labor-capital substitution to surface during our intensive program of efficiency reviews.

We request your support of our productivity investment fund program in order to maintain our commitment to innovation and productivity improvements. Last year the Appropriations Act reduced our funding request by $28 million or 21 percent. As the result we expect to have to spend an additional $130 million over the next five years than we would have had to spend to accomplish the same workload with more efficient equipment and processes.

DOD has long recognized that a motivated workforce is a major force in improving productivity. Behavioral science techniques are employed within DOD to increase motivation. The most widely employed technique is Quality Circles. There are over 1,300 circles operating throughout DOD and this number appears to be growing. Quality Circle efforts have generated both tangible and intangible improvements in morale and productivity. They provide a forum through which our employees offer their suggestions and ideas on how to accomplish workload more efficiently and effectively. Cost savings and quality improvements which have resulted from quality circles demonstrate that employees have a lot to offer.

The Department is adopting policies to reverse the perception that there is no reward for improving productivity. Examples of the positive incentives for productivity improvement include the following. Activities are permitted to reallocate savings generated from productivity enhancing capital investments in order to resource deferred requirements. The Components are encouraged to specifically consider productivity improvement records in merit pay and internal resource allocation policies. We also consider Component accomplishments in achieving more efficient operations in allocating civilian end strength. Components with better records in achieving efficient operations receive special consideration in establishing civilian end strength levels and distributing shortages when they occur.

I would like to close my statement by stressing that civilian resources are essential in meeting our responsibility to defend the Nation. Our end strength requests reflect our best estimates of resources required to execute the program and workload contained in the budget. Our emphasis on productivity improvement reflects our responsibility to the Nation to husband resources carefully and to enhance the long term effectiveness of the investment in Defense by introducing more economic operations whenever possible.

CONTRACTING-OUT

Senator **Jepsen**. What percentage, Mr. Calhoun, of the defense establishment has been in the contracting-out eligibility category? Do you have any figures? Does the Defense Department have any general percentages of what areas they would contract out?

Mr. **Calhoun**. We do not have, if I understand your question, a specific list of functions or types of jobs that are candidates for contracting-out. We have devoted much of our attention to commercial-type activities—food service, laundry, those kinds of activities.

It has been and will be, I think, kind of an evolutionary process to get to what I think you suggest typically is a candidate for contracting-out.

Senator **Jepsen**. Well, of those that based on your experience are eligible now for contracting-out, what percentage is being contracted out?

Mr. **Calhoun**. What percentage are being contracted out?

Senator **Jepsen**. Yes.

Mr. **Calhoun**. I do not have a specific number. We can get that for you.

[The information follows:]

Approximately 50 percent of the activities studied for potential contracting-out are actually converted to contract. The remaining 50 percent are retained in-house, usually with a savings over previous efforts.

Senator **Jepsen**. Does the Defense Department want to do more contracting-out or are they satisfied with about the level they have? If their wishes could be met, would they do more of it?

Mr. **Calhoun**. The Defense Department believes very firmly in contracting-out those activities that do not effect readiness and do not affect our ability to defend our Nation. Those kinds of activities should be reviewed and studied as contracting-out potential candidates.

Senator **Jepsen**. That do not affect our readiness. What does that include? How does that fit with our contracting-out that we do directly or indirectly in Europe with all of our frontline troops?

Mr. **Calhoun**. I think in Europe we have to be particularly careful in contracting-out. It would really depend on a case-by-case basis as to what would be contractible. I think that probably there would be a greater question to consider as to readiness and our ability to defend our commitments in that theater.

So, I think that probably we would obviously have to take great care in that particular pursuit versus efforts in the United States.

Senator **Jepsen**. In your statement I do not detect any comment with regard to what effect contracting-out may have on the general public relations or relations with the private sector, civilian sector, wherever you may be stationed. Is that discussed or taken into consideration when the Department is making plans for contracting-out?

Mr. **Calhoun**. It is. It is certainly a very important consideration to the whole notion of contracting-out. We also consider the impact of contracting-out on jobs in the local area with respect to what happens to the individuals who are Federal employees in those jobs in the event that a contract does go out of house.

Those considerations are very important and looked at with equal vigor as to the dollar considerations that drive contracting-out as well.

Senator **Jepsen**. Well, dollar considerations, but how about something more intangible? I am going to ask the same thing, by the way, of the commanders and so on.

Based on what experience I have had in visiting with others I think the morale of your men and women in the uniform of our country that are based at any particular place certainly is somewhat influenced by how accepted and how much goodwill they have within the community they live. They are not an island, usually.

Would you say that contracting-out would help, would enhance that relationship or do you think it harms it?

Mr. **Calhoun**. I think that in many cases it would be very, very helpful because I think there are cases, for example, when uniformed personnel are doing the jobs that could be or perhaps ought to be candidates for contracting-out.

I think, for example, that the uniformed personnel probably are very anxious to do military work and not do work that could be done by a private contractor or by a civilian. I think that we can demonstrate that perhaps we get better service, we get a better working partner as a result of contracting-out. That is not always the case but there have been instances where we could demonstrate that.

I think that when efficiency is brought to bear on an operation, everybody benefits. I think the uniformed population benefits, the civilian population benefits, and I think the community that base or operation is a part of benefits as well.

So, I think that you have to look at it in a total context and take a systematic approach in terms of those interrelated relationships and cost benefits that are associated with it.

Senator **Jepsen**. Do you have encouragement and cooperation from the Federal employees union leadership here on contracting-out?

Mr. **Calhoun**. That is a mixed bag, I think. At best we have not been received very warmly by the union leadership apropos of contracting-out. I think the reasons for that are fairly obvious.

However, we certainly cannot always manage any enterprise by the wishes of a small constituency and I think the history of labor in our country has been one of great contributions and that labor will continue to make contributions. However, I, at the same, time think that they make decisions that are certainly in their best interest.

Senator **Jepsen**. I respect and appreciate that. We will get to the other witnesses very quickly here.

Just generally, the military, our military personnel, Government personnel, their pay and income all comes from the same fund, I believe.

Do you know of any funds other than taxpayer dollars where the Federal employees, union employees, are paid from? There is nothing, is there, that you know of?

Mr. **Calhoun**. Appropriated fund employees are employees that are paid and provided for out of an appropriation. I know of no other sources. There are, however, nonappropriated fund employees such as in our commissaries and PX's that are provided for by revenues from those particular activities.

Senator **Jepsen**. So then there is a difference in the income sources in some of these areas where people work.

Mr. **Calhoun**. The appropriated fund employees vis-a-vis nonappropriated fund, yes, sir. The revenue that supports their salary in paycheck as well as out-of-paycheck compensation comes from those different funding sources.

Senator **Jepsen**. We will come back. Thank you, Mr. Calhoun.

General McCartney, do you have a statement?

STATEMENT OF MAJ. GEN. KEITH McCARTNEY, USAF, DIRECTOR OF MANPOWER AND ORGANIZATION

General **McCartney**. Yes, sir, Mr. Chairman. It is a pleasure to appear before you to discuss our military manpower and civilian manpower requirements and trends.

The Air Force civilian is essential to our capability to support and sustain our wartime operations. The 1984 President's budget reflects a small increase for the Air Force, a modest increase of 1,500 civilians over 1982 levels, or 3,500 spaces over our 1983 level.

AIR LOGISTIC CENTERS

The increases, as Mr. Calhoun pointed out, are primarily in support of our air logistics centers and our increased flying hours. In compliance with the congressional directive on contracting-out, we have not deleted civilian spaces in anticipation of our contracting-out program.

However, we are studying approximately 4,000 spaces per year each year for 20,000 spaces of our 5-year program to contract out, to consider for contracting-out.

Currently, the Air Force has approximately 84,000 civilian man-year equivalents on contract under the A-76 program or 24 percent of our civilian work force. The functions which are contracted out which we find very successful and cost effective are things like food service, refuse collection, aircraft maintenance, and our laundries.

We think the key thing in contracting-out is being able to select the right candidates and do this very carefully, and have the service control the functions we contract and how aggressive our program is. We have been very successful in having a good civilian contracting-out program, sir.

It is getting to the point in the Air Force where commanders are having difficulty in identifying additional spaces which will not impact on the readiness or rotation base.

Other than my prepared statement, which we have inserted for the record, I do not have any other prepared remarks. We welcome your review, this committee's review, of our civilian program.

[The prepared statement of Maj. Gen. Keith McCartney follows:]

PREPARED STATEMENT OF MAJ. GEN. KEITH D. MCCARTNEY, ASSISTANT DEPUTY CHIEF OF STAFF, MANPOWER AND PERSONNEL, U.S. AIR FORCE

Mr. Chairman, members of the subcommittee, I consider it an honor to appear before you to discuss civilian manpower requirements and trends.

I. INTRODUCTION

The civilian manpower program is an essential element of the Air Force's capability to support and sustain wartime operational requirements. The Air Force civilian employee is directly involved in the performance of the Air Force mission to provide for national security. In the fiscal year 1984 President's Budget, civilian end strength reflects an increase of +3,500 or 1.4 percent above fiscal year 1983 levels to a total of 249,664. This growth is largely in our Air Logistics Centers (ALC) or depots. The increases are primarily in distribution, depot maintenance, and materiel management to support increased flying hours and aircraft inventory and to increase utilization of plant capacity. The manpower increases in these mission areas are interrelated, e.g., increased activity in the depot maintenance shops requires increased support from distribution to get the repaired material packed and shipped to the operating commands in the shortest possible time.

In compliance with Congressional direction we have not deleted civilian spaces in fiscal year 1984 in anticipation of conversion to contract under the OMB Circular A-76 Program. Spaces which were deleted in fiscal year 1983 were restored. In addition, I would like to note, that even in prior years when spaces were deleted in anticipation of contract, our field commanders did not lose the resources from their manning documents. Field manning documents were not adjusted until final decisions were made concerning conversion to contract.

II. MANPOWER MIX/CONTRACTING-OUT

The Air Force has programmed a growth of both military and civilians for fiscal year 1984. Our manpower utilization process is used to determine the proper mix of military, in-house civilian and contractor personnel to perform Air Force workloads.

The predominant influence on our manpower is the maintenance of a military posture at a level that will efficiently meet combat and direct combat support needs. This requirement cannot be stressed too strongly or often enough. We must not make the mistake of building a peacetime Air Force that cannot meet its wartime commitments.

Therefore, we base our manpower mix on wartime requirements for military who will be employed in a combat or combat support role. We then structure our peacetime force to satisfy these wartime needs. It is important to understand that we employ many military in peacetime jobs--which, looked at in isolation, could be manned by civilians. But, these same military have wartime jobs and they will deploy to the combat theater—for example, a pavement specialist assigned to Wright-Patterson Air Force Base in peacetime will deploy and perform rapid runway repair during combat.

Once we have postured our military force, the remaining workloads can be accomplished by civilians. Some of these workloads are inherent governmental functions and must be accomplished by federal employees. The remaining workloads are eligible for contracting-out and subject to the provisions of OMB Circular A-76.

Regarding these contract eligible workloads, the Air Force is neither pro nor anti-contracting. We will do the job the most efficient and cost effective way consistent with national defense. The Air Force use of contract operations runs the gamut of services from sweeping floors to running test ranges, from driving buses to operating satellite tracking stations. Conversely, we have no intention of contracting-out positions which could degrade our wartime capability.

Determining which functions are "eligible" for contract is the most important decision on the contracting-out program. Each Service can best determine its requirements for readiness and sustainability and that must be the basis for deciding whether activities should be contracted.

With selection of the proper candidates, the A-76 program offers a tool to reduce costs without riisk of degrading wartime capability.

III. CIVILIAN PERSONNEL MANAGEMENT

Air Force civilians are a critical part of the Total Force. They comprise 20 percent of the total workforce and are an integral element in the Air Force's ability to support and sustain wartime requirements.

Their significant contributions warrant civilian management practices designed to sustain employee morale and productivity. They expect and should be entitled to pay, benefits, and working conditions which are comparable to those which they could attain in their profession in the private sector. Programs which impact adversely on their pay and benefits have a detrimental impact on our ability to attract and retain the high quality people necessary to carry out the mission.

Comparability and the need for civilian pay reform

The Air Force has consistently supported the principle of pay comparability for civilian employees. The principle of pay comparability is established by law; however, other laws and practices have forced us to depart from comparability in many situations. For example, there are four major provisions of the current blue collar pay law which negate the principle of comparability and, hence, need to be changed:

The step rate structure for nonsupervisory/leader employees results in pay above the local prevailing rates. For example, the majority of Air Force employees receive 12 percent above the average private sector rates we survey.

Exclusion of wage data from state and local governments despite the fact that there are over 12 million employees in these categories.

The requirement to pay uniform percentage night shift differentials of 7½ percent and 10 percent for second and third shifts rather than following the new federal sector practice in each wage area.

The Monroney Amendment which requires the government to establish "local" prevailing rates using wage data imported from different areas of the country when there is a "dominant" Federal industry in a particular locality, e.g., aircraft overhaul and repair.

A November 1980 Congressional Budget Office study estimated that DOD could realize a cost avoidance of $3.89 Billion over 5 years if these changes were made. The Air Force portion of this would be about $937 million.

Benefits

An area requiring attention is our need to have a civilian force that is mobile to the degree required to meet mission requirements. For several years, however, the Air Force and other Federal agencies have experienced difficulty in inducing civilians to relocate. Although recent regulatory changes have improved some civilian PCS entitlements, legislation is needed to increase household goods weight limitations to 18,000 pounds; permit the use of the actual expense method for shipment of household goods instead of using the commuted rate system; and change the tax law so that PCS reimbursements are not taxed as income.

Civilian pay and benefits need to be addressed, not only in terms of fiscal restraint, but also in terms of their effect on maintaining the high quality civilian force needed to meet mission requirements.

Senior executive service (SES) bonus restrictions

We are concerned about the restrictions on our Senior Executive Service performance awards. Bonuses have long been recognized as a motivational tool in the private sector. To encourage outstanding performance, bonuses must be attainable by a large enough portion of the population to make the performance message clear. The Civil Service Reform Act of 1978 authorized payment of bonuses to a maximum of 50 percent of authorized positions. In fiscal year 1980, bonuses were restricted to only 25 percent of an agency's authorized positions. In fiscal year 1981, this figure was lowered to 20 percent and applied only to eligible career employees. The Air Force supports restoration of bonuses to 50 percent of authorized positions to restore the true effectiveness of the program.

Elimination of end-strength ceilings

We welcome the opportunity provided under Section 788 (of the fiscal year 1983 Appropriations) to participate in the industrial fund exclusion test and to demonstrate to Congress that a segment of our workforce can operate without a statutory ceiling. We do not wish for portions of our workforce to be managed differently, but prefer to manage under total fiscal constraints. We look to your support in relief from the statutory ceiling.

IV. CONCLUSION

The Air Force civilian continues to play an integral part of our total force policy. As such, we must continue to provide the best possible management support to this very valuable resource. We welcome your careful review of this year's program and appreciate your fine support of past programs.

Senator **Jepsen**. Thank you, General.

Dr. West, you may proceed.

STATEMENT OF DR. HARRY WEST, DEPUTY DIRECTOR, ARMY MANPOWER PROGRAM AND BUDGET

Dr. **West**. Thank you, Mr. Chairman.

I have some very brief comments I will make relative to my prepared statement. I will begin with those brief comments.

It certainly is a pleasure to be here today to provide you with an overview of the Army's civilian manpower strength as requested in the fiscal year 1984 budget and also to answer any questions you might have.

Along with my panel members here today it is evident that we are all keen on the readiness aspects of civilian manpower. The Army depends upon that 21 percent of its work force which is civilian. We have 21 percent of our total force associated with civilians, and 79 percent with the Reserve components and Active component for a total force of 1,877,000 people.

Both the Active and Reserve components depend directly on civilians for supply, training, equipment maintenance, all of which are specific indications of readiness requirements. Our policy has been to use civilians or cost-effective contract services to release military to perform duties in combat, combat support, and combat service support functions.

Our initiatives to support this policy are threefold.

First, replacement of borrowed military manpower which to date has returned some 12,500 soldiers to their combat units.

Second, the civilian substitution program by which we are going to convert 3,000 military spaces in the support establishment to civilian incumbency, thus freeing 3,000 military spaces for force structure needs.

And third, the commercial activities program which thus far has returned 1,500 military to the combat role.

Through these three programs during fiscal year 1983 we will have converted 16,500 military spaces to civilian incumbency to support essential combat and support roles as well as modernization and Division 86 Army reorganizations.

In addition to our programs to transfer the workloads from the military to private and commercial sectors and the Army civilian work force, the Army is also pursuing economies and efficiencies associated with our current in-house functions. We are accomplishing these through improvements obtained in efficiency reviews through both interservice and intraservice support agreements. We are targeting savings in fiscal year 1984 of approximately 1,200 spaces.

Assisting in the more effective utilization of civilian manpower, we appreciate the trust Congress has placed in us by incorporating section 788 in the fiscal year 1983 Defense Appropriations Act. This will permit us to synchronize the civilian employment levels of the Army industrial fund more consistently with workload requirements and demands, and in reality will permit us to more effectively use the civilian work force component.

Also assisting the more effective utilization of both military and civilian manpower is the conversion of Army's military and civilian manpower requirements determination system for nontactical organizations from a survey basis to a manpower standards basis. We are making excellent progress in this arena and are responding to last year's defense guidance as well as past GAO criticism in this area.

We will begin putting into the field this summer—approximately 6 months ahead of schedule—the first cadre of the new civilian and military standards based manpower requirements determination system for the Army. We will complete the implementation program by the summer of 1984.

This conversion will significantly improve our ability to make more productive the civilian and military work forces of the Army that are employed in noncombat and nontechnical organizations.

Another area of special interest that you have reviewed in the past is that of family members of Army personnel. Since 1972, we have given employment preference to those members, and we currently employ 15,000 family members overseas as part of our family member employment program. We consider this a major input to the military family's quality of life.

We do appreciate your extending fractional accounting to overseas family members and actually in our own budget request we have converted 2,100 positions in fiscal year 1984 from indirect hire to direct hire civilian. This will permit an additional 2,000 family members to be hired, primarily in Europe. This is, as I emphasized, not an end strength increase but rather a conversion from indirect hire to direct hire.

CIVILIAN END STRENGTH REQUEST

Our request for civilian end strength for fiscal year 1984 is approximately 7,200 above the fiscal year 1983 adjusted level. In summary form, the OSD increases support the Army's industrial fund by 4,700 spaces, civilian technician adjustments of 2,400 spaces, and the return of 9,900 CA spaces. There are other program changes leading to an increase of 7,200 spaces.

In summary, Army civilian employees are as important as the soldier in uniform in accomplishing the Army's total mission. We depend directly on our civilian work force to accomplish force structure changes; to relieve military manning shortfalls; to improve readiness and training; to assist in the modernization process; and to provide a base for mobilization and sustainability.

We appreciate the initiative that you have taken to permit us to more effectively manage our civilian work force and request your support in our increase of 7,200 spaces.

Thank you, Mr. Chairman.

[The prepared statement of Dr. Harry West, Deputy Director, Army Manpower Program and Budget follows:]

PREPARED STATEMENT BY DR. HARRY M. WEST, DEPUTY DIRECTOR, ARMY MANPOWER PROGRAMS AND BUDGET

INTRODUCTION

I appreciate the opportunity to appear before you today to present briefly the Army's civilian manpower program and answer any questions you may have relative to civilian manpower in the Army's fiscal year 1984 budget request. The readiness of today's Army depends, to a large part, on its civilian component. Civilian manpower must not be considered in a vacuum. The Active and Reserve Components depend heavily on civilians for supply, training, and equipment maintenance—key components of readiness. Army policy has been to use civilians or cost-effective contract services to release military members for combat, combat support, and combat service support units. Initiatives to support this policy include the Borrowed Military Manpower Program, the Civilian Substitution Program, and the Commercial Activities Program.

BORROWED MILITARY MANPOWER (BMM)/TROOP DIVERSION (TD) PROGRAM

During the period 1974 to 1980 Army civilian end strength was reduced by an estimated 50,000 without a concurrent reduction in missions or functions. As a result, Army commanders were forced to borrow or divert soldiers from their assigned positions to perform critical support functions that had been the responsibilities of civilians. By the end of 1980, some 25,000 to 28,000 soldiers were reported as borrowed or diverted on a daily basis.

In February 1981 the Secretary of the Army and the Chief of Staff, Army presented this situation to Congress. You responded to our needs by authorizing 16,800 additional civilian spaces for fiscal year 1982 to be used to return the borrowed and diverted soldiers to their units.

During the fiscal year 1983 budget review process, this authorization was reduced by Congress to 14,300 civilian spaces. However, the fiscal year 1983 column of the fiscal year 1984 budget still includes the 2,500 indirect hire spaces for which you reduced $50 million. To maintain our prior agreements on this issue, the Army will not use these spaces.

The reduction to 14,300 for fiscal year 1983 was based on the perception of Congress that the Army could not document the readiness impact of borrowing and diverting soldiers nor were we using the spaces as you intended. The Army has revalidated the need for these civilians to replace BMM/TD and has reviewed in detail the use and the allocation of these spaces. As a result, we have taken appropriate action to ensure compliance with our guidance and your intentions. The Deputy Chief of Staff for Personnel has personally visited installations within the Continental United States to review this process and see first hand the readiness impact. He is convinced, as are the major command commanders, that there is a valid requirement to return soldiers to their units to obtain direct readiness benefits.

To ensure a total approach to validating the BMM/TD program, we requested the Army Audit Agency conduct an Army-wide audit. Our primary objective is to ensure soldiers are returned to their units. Spaces used for any purpose not resulting in the return of a soldier are corrected when identified. Results of the audit will be available early this summer. Spaces which the Army cannot use to replace borrowed or diverted soldiers will be identified and not used elsewhere in the Army.

Overall, this program is achieving and actually exceeding the Army's objective of returning "borrowed" soldiers to their units. The result is that force readiness is improved. To date, this program has returned more than 12,000 soldiers to their units to include over 2,500 noncommissioned officers. Approximately 12,000 civilians have been hired, of which approximately 2,000 are family members of soldiers stationed overseas. The majority of these family members reside in Europe.

I assure you, the objectives we mutually established are being met and with your continued support, we will complete the return of a minimum of 14,300 soldiers to their units by the end of fiscal year 1983. Maintaining this program at the 14,300 level for fiscal year 1984 will leave approximately 5,000 soldiers still being borrowed or diverted from their units which could be replaced by civilians.

CIVILIAN SUBSTITUTION PROGRAM

Our policy is to use civilian personnel in positions not requiring military incumbency for such reasons as law, training, discipline, and career progression. Last year we began a program designed to increase use of civilians in lieu of military personnel. This program, called Civilian Substitution, is continued and increased in the fiscal year 1984 budget request.

Civilian substitution retains the programed military end strength while increasing readiness through the conversion of military positions in nontactical units to civilian positions, and the assignment of released military personnel to other positions that require military incumbency. In fiscal year 1984, 2,000 military positions are programed to be converted to civilian incumbency.

Our current civilian substitution program is designed to increase readiness by converting military positions in support units to civilian positions while retaining the military for other high priority force structure needs. Civilian substitution started with the substitution of 1,000 field grade officer authorizations to direct hire civilian authorizations in fiscal year 1983 and continues by increasing this number to 3,000 (all military grades) in fiscal year 1984. The 1,000 field grade officer positions, while transferred elsewhere in the force structure, are transferred as company grade officer positions. This is part of our Force Alignment Program II which is designed to bring field grade officer authorizations into line with those permitted by the Defense Officer Personnel Management Act.

COMMERCIAL ACTIVITIES

The Army continues to pursue aggressively the Commercial Activities Program as well as other economy and efficiency oriented programs in order to utilize more fully the resources provided to carry out Army missions. We appreciate your decision to allow the Department to retain at the installation level civilian spaces associated with the Department's Commercial Activities Program until the activity or function is actually converted to contract. The Commercial Activities studies that were announced and in progress prior to the six month moratorium on new studies in 1 October 1982 will be completed. However, the requirement to delay initiation of new studies until April 1983 will cause slippage of many of the studies planned for completion in fiscal year 1984–85 into fiscal year 1986 and beyond.

ECONOMIES AND EFFICIENCIES

In addition to the Commercial Activities Program, the Army is actively pursuing economies and efficiencies in the non-Commercial Activities Army. We are accomplishing this through improvements obtained in efficiency reviews and intra- and inter-service support agreements. We are targeting savings in fiscal year 1984, based on efficiency reviews, of approximately 1,200 civilian spaces. We have applied these anticipated savings to reduce shortfalls in the training base, to increase the Army's intern program, and to other high priority Army initiatives.

INDUSTRIALLY FUNDED ACTIVITIES

We appreciate the trust Congress has placed in us by incorporating Section 788 in the fiscal year 1983 Appropriations Act. This permits us to synchronize civilian employment levels for the Army Industrial Fund with required workload levels. In effect, Section 788 removes statutory and administratively imposed civilian personnel ceilings on Department of Defense industrially funded activities in fiscal year 1983. This test will allow us to improve the utilization of civilians since it allows us to more toward a dollar resource management system to control civilian employment levels. It will also allow us greater operational freedom to increase the efficiency and effectiveness of utilizing civilian resources in the Army Industrial Fund.

The Army is taking seriously this opportunity to demonstrate that civilian ceilings are not necessary for good management. Our preference, of course, is the eliminatation of statutory civilian ceiling controls. We realize, however, that we must initially test this concept and prove its merits.

FOREIGN MILITARY SALES

During the past few years, the Army has been concerned that civilian manpower ceilings have restricted the hiring of adequate civilian personnel to fully implement the Foreign Military Sales (FMS) Program. In legislative action on the 1982 DOD Appropriations Bill, the House Committee on Appropriations recognized this problem and recommended that personnel ceilings exclude personnel who work 50 percent or more of their time in support of the FMS function. The Conferees adopted the House position with respect to the need to exclude from personnel ceilings employees who spend more than 50 percent of their time performing foreign military sales functions for which DOD is reimbursed by a foreign customer.

Currently, the annual Authorization Act and the International Security Assistance and Arms Export Control Act of 1976 requires that personnel working in support of the FMS program be counted in computing personnel strength for the purpose of end strength ceilings.

IMPROVING MANPOWER UTILIZATION

The conversion of the Army's military and civilian manpower requirements determination system for non-tactical organizations from the current survey basis to a workload-driven standards basis is proceeding well. This conversion is in response to last year's Defense Guidance and General Accounting Office criticism of the Army's manpower requirements determination procedures. We will begin putting the cadre for the new system in the field this summer and expect to be fully operational in the U.S. Army Training and Doctrine Command, the U.S. Army Material Development and Readiness Command, the U.S. Army Forces Command, and U.S. Army, Europe, by the summer of 1984. Initial funding for fiscal year 1984 is $5.8M. This conversion will significantly improve the productivity of the Army's workforce in non-tactical organizations. It will allow the Army, for the first time, to develop objective workload standards to determine manpower requirements, to assess the relative value of each of these requirements and, finally, allocate manpower in such a way as to optimize the productivity of the total workforce. Our efforts in this area will be coupled with our efficiency review program to ensure that the most efficient work methods are achieved and implemented. In addition to providing an objective basis for requirements, this standards-based system will be dynamic, allowing the Army to quickly adjust its workforce and the distribution of that workforce in response to changing workloads.

FAMILY MEMBERS

Since 1972, DOD and Army policy has provided employment preference to DOD family members for civilian positions filled by local recruitment in foreign areas. The present policy provides preference to DOD family members over non-veteran, non-DOD family member applicants for U.S. citizen positions at grade GS-8 and below, and non-supervisory wage grade positions. DOD family members are given absolute preference in filling vacant foreign national positions, provided that onboard local national employees are not denied promotion or in-service placement opportunities. The Army employs more than 15,000 overseas family members from a combination of appropriated and non-appropriated funds. These employment opportunities are a significant contribution to the military family's standard of living.

Executive Order 12362 of May 12, 1982 was a major step forward in support of this program. It allows a U.S. citizen who is a family member of a civilian employee or of a member of a uniformed service, employed outside the United States to be appointed noncompetitively to a position upon return to the United States. Of course, certain qualifications and other requirements established by the Office of Personnel Management must be met.

We appreciate Congress extending fractional accounting to the overseas family members this year. The quality of life will be enhanced for additional families as a result of this change. The fiscal year 1984 Budget contains conversion of 2,100 indirect hire positions to direct hire positions to provide additional family member employment. This is not a civilian increase but a conversion from one ceiling category to another.

ARMY CIVILIAN MANPOWER REQUEST FOR FISCAL YEAR 1984

In summary, Army civilian end strength is programed to increase by approximately 7,200 from fiscal year 1983 to fiscal year 1984. The following chart reflects civilian manpower changes between the two years by defense planning and programing category.

	Fiscal year 1983	Delta [1]	Fiscal year 1984
Civilian end strength	392,780	+7,200	399,981
Strategic forces	86		86
Tactical/mobility land forces	25,056	+1,000	26,064
Auxiliary activities (intell, RDT&E, def commo)	26,197	+500	26,626
Support activities—Basops:			
Combat installations	88,790	−1,200	87,606
Basops-Eur		−700	
Div and Spec MSN-PAC		−1,000	
RPMA (Pac and Forscom)		−300	
Base Comm (Tac Spt)		+500	
RPMA Eur		+300	
Support installations	79,403	+600	80,034
Medical support	14,749	+100	14,888
Personnel support	8,513	+700	9,217
Individual training	12,418	+1,300	13,748
Force support training	1,801	+200	2,006
Central logistics	86,161	+3,600	89,751
Supply operations	29,023	+100	29,127
Maint operations	37,759	+900	38,635
Logistical support	19,379	+2,600	21,989
Centralized Spt Actv	34,135	+300	34,422
Management headquarters	15,462	+100	15,524
Federal agency support	9		9

[1] Delta is rounded.

With the programed increases in civilian manpower and other program changes involving civilian manpower, the Army budget contains approximately 8,600 more positions for US employees.

CONCLUSION

Army civilian employees make an important contribution to the Nation's Defense. They are as dedicated and as conscientious as the soldier in uniform. It is one resource that can be utilized selectively and in a timely manner as new mission and readiness needs dictate. We depend on our civilian workforce to help accomplish force structure changes, to help relieve military manning shortfalls, to improve readiness and training, to assist in the modernization process, and to provide the base for mobilization and sustainability. We appreciate the initiatives that you have taken that allow us to more effectively utilize our manpower resources. I hope you will support the Army's fiscal year 1984 civilian manpower program for the favorable impact it has on the Total Army and the security of our nation.

Senator **Jepsen**. Mr. Dixson, you may proceed.

After five bells come up I will stay for about 3 more minutes. So, if I do have to leave, please understand it has no direct relationship to what you are saying or how interested I am in what you have to say.

STATEMENT OF H. LEE DIXSON, DIRECTOR, CIVILIAN MANPOWER DIVISION, OFFICE OF THE NAVY COMPTROLLER

Mr. **Dixson**. Mr. Chairman, it is my pleasure to appear before you today and present an overview of the Department of the Navy's civilian manpower budget request, and also to discuss the manpower-related efforts we have under way to achieve economies and efficiencies in our operations.

I will submit a more detailed statement for the record to supplement my remarks.

Our fiscal year 1984 request of approximately 334,000 civilians represents a net increase of 3,500 positions over the 1983 level. The majority of these are for direct readiness-related functions such as supply centers, Military Sealift ship manning, fleet activities, and Marine Corps support.

Central supply staffing increases will result in an improved inventory management and more responsive, timely, and efficient provision of supplies to the fleet. Military Sealift increases provide for additional civilian mariners to man an expanded Military Sealift command fleet of support ships. Fleet operating bases and stations will also receive additional civilians to enhance their ability to maintain a high level of fleet operational readiness.

Marine Corps support increases include provision of maintenance of equipment embarked aboard maritime pre-positioning ships as well as for improved supply support.

I would like to discuss briefly the various programs we are implementing to achieve civilian manpower economies and efficiencies in the procurement of goods and services for the Department of the Navy. These efforts will allow us to find more economical means of providing for our defense where such means can be achieved while maintaining required operational capabilities and get the most that we can within limited resources.

To do this, we are currently concentrating our efforts on three manpower-related programs, the commercial activities program, the efficiency review program, and an expanded use of defense retail interservice support agreements.

In regard to cost-effective contracting under the commercial activities program, during fiscal year 1982 approximately 2,300 positions were found to be more cost effective under contractor performance at an estimated annual savings of about $16 million.

In conducting these reviews, the Department of the Navy has halted conversions of security guard and firefighter positions and is observing a 6-month moratorium on initiating cost studies on most other positions in compliance with the 1983 Defense Authorization Act.

At the same time, however, we are continuing those studies initiated prior to the congressional restrictions that are permitted under the law. However, we have also fully complied with guidance of the Armed Services conferees not to reflect anticipated contracting end strength savings in advance in the budget, and all such positions have been restored in fiscal year 1983 and fiscal year 1984.

The second major manpower economy and efficiency effort consists of organization efficiency reviews of those functions which we have determined must be performed in-house and which thus will not be subject to CA cost studies. We expect this effort to save at least 500 positions by the end of fiscal year 1984.

Finally, we are also involved in a DOD-wide effort to increase defense retail interservice support arrangements to eliminate costly duplication of functions among the military departments and defense agencies where centralized support can be achieved without adverse impact on mission accomplishment.

NAVY'S CIVILIAN END STRENGTH REQUEST

In concluding my discussion of the Department of the Navy's civilian end strength request I would like to emphasize the critical role these personnel perform in support of readiness. Over half are in industrially funded activities which encompass a wide variety of depot maintenance functions, including the repair of ships, aircraft, missiles, and associated equipment.

In the nonindustrial fund sectors, civilians at fleet and Marine Corps bases, supply activities and ship repair facilities perform similar functions essential to operational readiness.

Hence, the quality of these employees has a direct impact on military readiness and I would characterize our budgeted civilian manpower request as a balance between providing for the numbers of personnel and skills required for increased readiness while pursuing economies and efficiencies which will reduce the costs of meeting those readiness requirements.

[The prepared statement of H. Lee Dixson follows:]

PREPARED STATEMENT OF H. LEE DIXSON, DIRECTOR, CIVILIAN MANPOWER DIVISION, OFFICE OF BUDGET AND REPORTS, OFFICE OF THE COMPTROLLER OF THE NAVY

Mr. Chairman and Members of the Committee: It is my pleasure to appear before you today to present an overview of the Department of the Navy's civilian manpower request and to discuss manpower-related efforts to achieve economies and efficiencies in our operations.

CIVILIAN MANPOWER OVERVIEW

Civilian manpower comprises a vital segment of the Department of the Navy's manpower resources. The majority of our civilian employees are directly related to our readiness posture. Over half work in industrially funded activities which are primarily engaged in depot level maintenance and repair of ships, planes, missiles and associated eqipment. Many of our civilians in direct funded activities also perform essential readiness support in supply centers, Naval and Marine Corps bases and air stations. The balance of our civilian work force provides vital support in such areas as training, medical, engineering, research and development, and acquisition, all of which have a significant effect on readiness. Such civilian support is essential if we are to build, operate, and maintain a 600-ship Navy and provide for increased Fleet Marine Force capabilities.

FISCAL YEAR 1983 REVISED BUDGET

Prior to addressing civilian manpower levels proposed for fiscal year 1984, I would first like to summarize the changes which have occurred in the fiscal year 1983 end-strength estimate—changes which are primarily the result of the fiscal year 1983 Congressional authorization review.

The fiscal year 1983 end year estimate for civilian personnel represents an increase of 10,164 over the fiscal year 1983 President's Budget, reflecting adjustments for functional transfers, Navy commissaries and contracting-out estimates. The current fiscal year 1983 total is 330,736 civilian end-strength. The Congressional restoral of 3,000 civilian end-strength after cancellation of the plan to convert Navy commissary employees to nonappropriated fund status is reflected in the budget request. In addition, the Armed Services Conferees directed that the Secretary of Defense not reflect anticipated contracting-out end-strength savings in advance in the budget. Accordingly, the budget request reflects full restoration of the 7,625 positions previously deleted from the fiscal year 1983 President's Budget submission, with appropriate adjustments for fiscal year 1984 and the outyears.

Specific fiscal year 1983 adjustments are summarized as follows:

End-strength:	
Fiscal year 1983 President's budget	320,572
Functional transfers	+164
Navy commissaries	+3,000
Contracting-out restorations	+7,625
Other	−625
Fiscal year 1983 revised	330,736

FISCAL YEAR 1984 CIVILIAN END-STRENGTH REQUEST

Proceeding to the fiscal year 1984 civilian end-strength request, I would note that the fiscal year 1984 estimate of 334,278 reflects a net increase of 3,542 positions, the majority of which are for direct readiness-related functions, such as supply centers, Military Sealift ship manning, fleet activities, and Marine Corps support. Central supply staffing increases will result in improved inventory management and more responsive, timely, and efficient provision of supplies to the fleet. Military Sealift increases provide for additional civilian mariners to man an expanded Military Sealift Command fleet of support ships as well as for essential management and support of this expanded fleet. Fleet operating bases and stations will also receive additional civilians to enhance their ability to maintain a high level of fleet operational readiness. Marine Corps support increases include provision for maintenance of equipment embarked aboard maritime prepositioning ships as well as for improved supply support. These increases represent a continuation of readiness improvements begun in fiscal year 1981 which will result in a significant reduction in the backlog of ship overhaul deferrals, improved aircraft maintenance, a more responsive supply system, and an expanded, civilian-manned Military Sealift Command fleet of support ships.

The following summarizes these fiscal year 1984 adjustments:

End-strength:	
Fiscal year revised	330,736
Central Supply	+959
Military Sealift	+446
Fleet activities	+597
Marine Corps	+280
Other	+1,260
Fiscal year 1984 total	334,278

CIVILIAN CEILING EXEMPTION EXPERIMENT AT INDUSTRIAL FUND ACTIVITIES

I would like to briefly discuss the Department's implementation of Section 788 of the fiscal year 1983 Defense Appropriations Act. Section 788 provides for the Department of Defense to in effect operate without civilian ceilings on industrial fund activities during fiscal year 1983. This will provide additional flexibility in adjusting work force levels to accommodate workload changes that occur in budget execution and will allow us to achieve a more efficient mix of personnel to implement our programs during fiscal year 1983 and into fiscal year 1984. While there will be no ceilings on these activities in fiscal 1983, emphasis will continue to be given to hiring practices that will ensure that the Department's programs are implemented in a fashion that ensures that the budgeted product is produced at the budgeted cost.

In this regard, I would note that the Department of the Navy has consistently argued that the level of funded workload reviewed and approved by Congress is the most appropriate factor for determining civilian manpower levels. Within the Department of the Navy, we conduct a closely integrated review of funded workload and civilian manpower, which is the most effective way of controlling manpower costs. At the same time, a complex naval shore establishment of over 1,200 activities supporting and maintaining our operating forces around the globe, there must be a degree of management flexibility to respond to changes in workload, local labor market conditions and skill requirements. Civilian ceilings make it difficult for our commanding officers and directors to manage effectively in a constantly changing environment. I am confident that the one-year experiment of operating our industrial facilities without civilian ceilings will give the commanding officers and managers of these activities the opportunity to improve the responsiveness and efficiency of their operations.

ECONOMIES AND EFFICIENCIES

I would now like to discuss the various programs we are implementing to achieve civilian manpower economies and efficiencies in the procurement of goods and services for the Department of the Navy. Our pursuit of these efforts stems from a number of considerations. First, we have a duty to the nation's taxpayers to find more economical means of providing for our defense where such means can be achieved while maintaining required operational capabilities. Second, the budget process is inherently one of making trade-offs in an environment of limited resources. We want to get the most that we can with those limited resources. Finally, finding more efficient ways of doing business gives us a more responsive defense capability.

To do this, we are currently concentrating our efforts on three manpower related programs—the Commercial Activities (CA) program, the Efficiency Review (ER) program, and expanded use of Defense Retail Interservice Support (DRIS) agreements. I will discuss each of these in some detail, beginning with the CA program.

COMMERCIAL ACTIVITIES (CA) PROGRAM

The CA program, which has been in existence for many years throughout the federal government under OMB Circular A-76, was revised and given major emphasis beginning in 1979. The major objective of this effort is that the government should obtain goods and services from the private sector where it is to our economic advantage to do so.

Active implementation of this effort has proven more time-consuming than expected, largely because of the need to recruit and train skilled professionals to conduct CA reviews throughout an exceedingly complex and geographically dispersed naval shore establishment. However, during fiscal year 1982 we began to see significant results. During that year we completed 252 CA cost studies on about 6,000 military and civilian positions. Of these, 110 studies involving approximately 2,300 positions were found to be more cost-effective if the functions were converted to contract. These conversions will result in estimated cost savings to the government of about $16.0 million annually. In another 127 studies involving some 2,700 personnel, retention of the functions in-house was found less costly. However, by closely analyzing how those functions were performed, we were able to identify more efficient means of performing the work. Finally, we had also completed 15 studies of guard service and firefighting functions involving approximately 900 civilian spaces, which although more cost-effective, were not converted to contract due to the one year moratorium imposed by Congress on such conversions.

This leads me to the subject of Congressional restrictions on the CA process. As noted earlier, the Department of the Navy has fully complied with Congressional direction not to reflect anticipated contracting-out end-strength savings in advance in the budget for fiscal year 1983-85. We have halted conversions of guard and firefighter positions for one year and are observing a six-month moratorium on initiating cost studies on most other positions in compliance with the fiscal year 1983 Defense Authorization Act and Congressional guidance. At the same time, we are continuing those studies initiated prior to the Congressional restrictions as permitted under the law.

I recognize Congressional concern that we ensure that mission capability is not compromised when functions are converted to contract. I also realize that decisions which affect peoples' employment are not to be taken lightly, and that there must be both substantial benefits from the conversion as well as measures to minimize the adverse impact on the individuals who are affected by the decisions. Finally, there must be adequate safeguards to ensure that CA decisions are consistent and equitable.

I believe that we have developed and are implementing adequate safeguards. Moreover, these safeguards exist throughout the CA process. They include the following:

Prior to conducting cost studies, functions are reviewed to determine whether contractor performance would impair readiness. Where such impairment would occur, we retain the function in-house. In addition, we announce all potential cost studies to Congress prior to starting studies.

During the cost studies, we develop performance work statements and design most efficient organizations to identify and meet requirements. Affecting employees are offered the opportunity to participate in this process, and activity commanding officers must certify that the in-house bid is based upon the most efficient organization. The contracting office, which is usually an independent activity, also reviews the performance work statement used as the basis for in-house and contractor bids.

During the solicitation process, the Naval Audit Service also independently reviews the performance work statement and the in-house cost estimate which is submitted as a sealed bid.

After bid opening, all parties can appeal to an independent appeals official at an equal or higher organizational level, and, if a contractor is the low bidder, he is subject to preward survey to ensure competency. Congress is also notified prior to award of contracts involving 10 or more DOD civilians.

After contract award, affected in-house employees are given priority in filling other government positions for which they are qualified as well as being offered right of first refusal for positions available with the contractor.

Obviously, there can be no completely foolproof system in such a complex and diverse process involving so many different functions and military installations. However, the safeguards I have mentioned are extensive, they occur throughout the process, and they provide for a series of independent reviews and appeal procedures. In total, our experience involving contracts for commercial activities has been highly satisfactory, despite the inevitable few cases where contractors do not perform up to specifications. In view of the results achieved to date, as well as the safeguards I have described, I strongly recommend that the current Congresssional restrictions be allowed to expire without additional constraints being imposed.

EFFICIENCY REVIEW (ER) PROGRAM

The second major manpower economy and efficiency effort consists of organizational efficiency reviews of those functions which we have determined must be performed in-house and which thus will not be subject to CA cost studies. Under the Efficiency Review program, which is just now being implemented throughout the Department of Defense, we will also be developing performance work statements and most efficient organizations for those functions. We expect this effort to save at least 500 positions by the end of fiscal year 1984, and these end-strength savings are reflected in the budget.

DEFENSE RETAIL INTERSERVICE SUPPORT (DRIS)

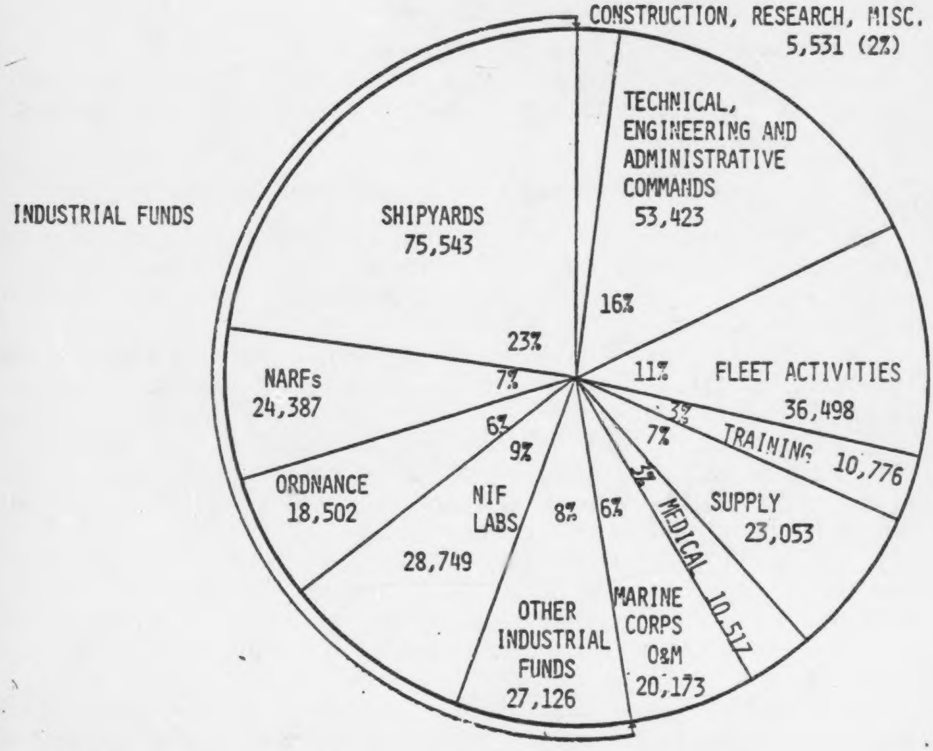
Finally, we are also involved in a DOD-wide effort to increase Defense Retail Interservice Support (DRIS) arrangements to eliminate costly duplication of functions among the military departments and defense agencies where centralized support can be achieved without adverse impact on mission accomplishment. This program has also been in existence for many years and is now being revitalized and expanded under the direction of the Assistant Secretary of Defense (Manpower, Reserve Affairs and Logistics). This effort will serve as a logical complement to the significant intraservice support consolidations we have already achieved within the Department of the Navy through establishment of such activities as public works centers, consolidated civilian personnel offices, and regional medical centers.

CIVILIANS AND READINESS

In concluding my discussion of the Department of the Navy's civilian end-strength request, I would like to re-emphasize the critical role these personnel perform in support of readiness.

The following chart provides a graphic distribution of our civilian work force as reflected in the fiscal year 1984 President's Budget submission.

DEPARTMENT OF THE NAVY
CIVILIAN PERSONNEL
END STRENGTH



As noted previously, over half of our civilian work force are in industrial fund activities, which encompass a wide variety of depot maintenance functions. In addition, the Military Sealift Command, which is also industrially funded, operates a fleet of support ships, many of which are civilian/contractor manned. We also have a sizeable industrially funded RDT&E laboratory community which is pivotal to our remaining at the leading edge of technology. In the non-industrial fund sector, civilians at fleet and Marine Corps bases, supply activities and ship repair facilities perform functions essential to operational readiness. There are also training and medical facilities in which civilians are essential to skills development and quality of life considerations necessary to provide the quality and quantity of military personnel needed to man the fleet and Fleet Marine Forces.

I would also like to point out that these "hands on" direct labor functions are not performed solely by blue collar workers as is sometimes presumed. Clearly, our blue collar work force provides the pipefitters, mechanics, and maintenance personnel needed for ship overhauls, aircraft and ordnance rework, and maintenance of operating base facilities. However, our white collar work force, which is often erroneously regarded as purely overhead support, is just as essential to readiness support, with a substantial proportion of them also performing direct labor functions at the same facilities as blue collar workers. For example, about half our white collar civilians are highly trained scientists, engineers, technicians, doctors, nurses, contract administrators, and supply and logistics analysts who are "hands on" workers essential to development, procurement, maintenance, and supply of the ships, planes and weapons of our operating forces, operation and maintenance of world-wide communications network, and manning of naval medical facilities and research centers.

Thus, in total, our combined civilian work force of blue collar and white collar employees constitutes the Department of the Navy's primary source of personnel ef-

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forts required to maintain and provision our operating forces; the primary source of innovative force modernization talent; the main source of general procurement and general administrative personnel; and represents most of the so-called corporate memory which supports our military and civilian leaders in the execution of their functions.

Hence, the quality of these employees has a direct impact on military readiness, and I would characterize our budgeted civilian manpower request as a balance between providing for the numbers of personnel and skills required for increased readiness while aggressively pursuing economies and efficiencies which will reduce the costs of meeting those readiness requirements.

Mr. PRINCIPI. Thank you, Mr. Dixson.

The Senator went down to vote. He asked if I would just propound a few questions until he came back and then we can proceed with the second panel.

CIVILIAN MANPOWER CEILINGS HAMPER EFFICIENCY

Mr. Calhoun, I believe on page 8 of your statement you address the issue of the fiscal year 1983 defense appropriations bill action which exempts industrially funded activities from any civilian manpower ceilings.

Has this new flexibility hindered or helped the efficiency in the various industrially funded activities in the Department of Defense?

Mr. CALHOUN. I think the most intellectually honest answer at this point is that we really do not have enough experience to respond authoritatively to that question insofar as the extent to which it has helped us at this point.

If I might, I will just say this. In managing ceilings in all areas, we spend and have spent an extraordinary amount of energy coming down to ceiling numbers or going up to ceiling numbers, or bringing on board really inefficient mixes of manpower or human resources.

What that means is basically that you can have permanent employees, temporary employees, and other kinds of employees. If you bring on permanent employees I think you can hypothesize with some degree of certainty that you are going to get a dedicated employee who is looking at a long-term association and is going to perform accordingly.

On the other hand, if you are forced by ceilings to bring on temporary employees to get down to the number at the end of the year, you can probably well imagine the mind-set that that person brings to bear on the performance of his or her duties.

So, while I cannot give you a specific answer to your question, I can draw that framework for you and let you draw your conclusion from it.

Mr. PRINCIPI. Perhaps it is too early to tell, based upon your statement.

In your opinion, would you favor extending this flexibility beyond fiscal year 1984? Do you think you need more time to test the program?

Mr. CALHOUN. I would at this point think so in very certain terms. I think the first year is one that we are just going to be really finding our way through this new found liberty. In the second year I think that we will be able to look at cost and time profiles which will provide some meaningful data on which to make a decision.

So, I would certainly support any inclination on anyone's part to support us having 1 more year of this experiment.

Mr. PRINCIPI. Will you please provide for the record the types of activities within each of the services, including the defense agencies, that are industrially funded for the record?

Mr. CALHOUN. We will do that.

[The information follows:]

DOD INDUSTRIALLY FUNDED ACTIVITIES

The following pages show Department of Defense industrially funded activities and the authority under which they were established.

DEPARTMENT OF DEFENSE INDUSTRIAL FUNDS

INTRODUCTION

Pursuant to the authority contained in the National Security Act of 1947, as amended (Title 10, United States Code, Section 2208), there have been established the Army Industrial Fund, the Navy Industrial Fund, the Marine Corps Industrial Fund, the Air Force Industrial Fund, and the Defense Industrial Fund. Prior to the financing of a specific commercial or industrial type activity under one of these industrial funds, a charter is signed by the Secretary or Assistant Secretary of the Military Department or by the Director of the Defense Agency responsible for the operation of the activity. The charter is approved by the Assistant Secretary of Defense (Comptroller) and authorizes the activity to operate under Department of Defense (DoD) Directive 7410.4, "Regulations Governing Industrial Fund Operations." Charters give the name and location or activities subject to the charters for operation with industrial funds; designation of operating agencies within the department directly responsible for management of the activities; brief descriptions of the functions of the activities and nature of products and services; and statements of specific exceptions to the DoD regulations. In support of the charter application, the applicant describes the working capital requirements; investment in inventories; expected volume of business; source of reimbursement; and basis for charging for services furnished to agencies outside of DoD. Working capital finances the cost of producing goods or services ordered by customers, and the industrial fund is reimbursed for the goods or services furnished.

Activities financed under industrial funds include: shipyards, ordnance plants, printing plants, repair and overhaul shops, traffic management and terminal services, research and development activities, real property maintenance services and airlift and sealift transportation.

ARMY INDUSTRIAL FUND ACTIVITIES

There were 22 principal activities and activity satellites operating under the Army Industrial Fund during fiscal year 1981. They comprised five broad activity groups: Armament Facilities (6), Missile Facilities (1), Depot Activities (11), Laboratories and Proving Grounds (3), and Transportation Activities (1). Active activities at the end of fiscal year 1981 were:

	Commencement date
Armament facilities:	
1. Rocky Mountain Arsenal, Denver, CO	Jul. 1, 1951
2. Pine Bluff Arsenal, Pine Bluff, AR	Jul. 1, 1952
3. Rock Island Arsenal, Rock Island, IL	May 1, 1954
4. Watervliet Arsenal, Watervliet, NY	Mar. 1, 1954
5. McAlester Army Ammunition Plant, McAlester, OK	Oct, 1, 1977
6. Crane Army Ammunition Activity, Crane, IN	Oct. 1, 1977
Missile facilities:	
7. U.S. Army Missile Command, Redstone Arsenal, Huntsville, AL	Mar. 29, 1954

Depot activities:

8. Tooele Army Depot, Tooele, UT Satellites: Pueblo Depot Activity, Pueblo, CO; Navajo Depot Activity, Flagstaff, AZ; Fort Wingate Depot Activity, Gallup, NM; and Umatilla Depot Activity, Hermission, OR .... Apr. 1, 1958
9. Seneca Army Depot, Romulus, NY .... Jul. 1, 1973
10. Anniston Army Depot, Anniston, AL .... Jul. 1, 1968
11. Sierra Army Depot, Herlong, CA .... Jul. 1, 1973
12. Letterkenny Army Depot, Chambersburg, PA Satellite: Savanna Army Depot Activity, Savanna, IL .... Jul 1, 1973
13. New Cumberland Army Depot, New Cumberland, PA .... Jul. 1, 1968
14. Red River Army Depot, Texarkana, TX Satellite: Lexington-Blue Grass Army Depot Activity, Lexington, KY .... Jul. 1, 1968
15. Sacramento Army Depot, Sacramento, CA .... Jul. 1, 1968
16. Sharpe Army Depot, Lathrop, CA .... Jul. 1, 1968
17. Tobyhanna Army Depot, Tobyhanna, PA .... Jul. 1, 1968
18. Corpus Christi Army Depot, Corpus Christi, TX .... Jul. 1, 1968

Laboratories and proving grounds:

19. U.S. Army Electronics R&D Command, Harry Diamond Laboratory (Only) Adelphi, MD .... Sep. 27, 1963
20. U.S. Army Materials & Mechanics Research Center, Watertown, MA .... May 1, 1954
21. U.S. Army Research and Development Command, Dover, NJ Satellites: Fire Control and Small Caliber Weapons System Laboratory, Dover, NJ; U.S. Army Chemcial Systems Laboratory, Edgewood, MD; Benet Laboratory, Watervliet, NY and Ballistics Research Laboratory, Aberdeen, MD .... Jul. 1, 1951

Transportation:

22. Military Traffic Management Command, Eastern Area, Military Traffic Management and Terminal Service, Bayonne, NJ; and Western Area, Military Traffic Management and Terminal Service, Oakland, CA .... Jul. 1, 1955; Jul. 1, 1956

NAVY INDUSTRIAL FUND ACTIVITIES

There were at the end of FY 1981, fifty naval activities operating under the industrial fund system. They consisted of eight shipyards, six air rework (aircraft maintenance) facilities, ten ordnance activities, fourteen laboratories, two missile facilities, eight public works (base services) centers, a transportation service activity, and a publications and printing service.

Shipyards:

1. Philadelphia Naval Shipyard, Philadelphia, PA .... Apr. 14, 1952
2. Charleston Naval Shipyard, Charleston, SC .... Jul 1, 1953
3. Norfolk Naval Shipyard, Portsmouth, VA .... Jul. 1, 1953
4. Portsmouth Naval Shipyard, Portsmouth, NH .... Apr. 1, 1954
5. Puget Sound Naval Shipyard, Bremerton, WA .... Jul. 1, 1954
6. Long Beach Naval Shipyard, Long Beach, CA .... Aug. 1, 1954
7. Mare Island Naval Shipyard, Vallejo, CA .... Sep. 1, 1954
8. Pearl Harbor Naval Shipyard, Pearl Harbor, HI .... Dec. 1, 1954

Ordnance plants:

9. Naval Ordnance Station, Indian Head, MD .... Oct. 1, 1953
10. Naval Ordnance Station, Louisville, KY .... Feb. 1, 1957
11. Naval Weapons Station, Yorktown, VA .... Apr. 1, 1959
12. Naval Torpedo Station, Keyport, WA .... Jan. 1, 1960
13. Naval Weapons Station Earie, Colts Neck, NJ .... Jul. 1, 1967
14. Naval Weapons Support Center, Crane, IN .... Jul. 1, 1967
15. Naval Weapons Station, Seal Beach, CA .... Jul. 1, 1967
16. Naval Weapons Station, Concord, CA .... Jul. 1, 1967
17. Naval Weapons Station, Charleston, SC .... Jul. 1, 1967
18. Naval Ship Weapons Systems Engineering Station, Port Hueneme, CA .... Jul. 1, 1969

Strategic weapons facilities:

19. Polaris Missile Facility Atlantic, Charleston, SC .... Jul. 1, 1967
20. Strategic Weapons Facility, Pacific, Silverdale, WA .... Jul. 1, 1967

Laboratories:

21. Naval Research Laboratory, Washington, DC	Jan. 1, 1953
22. Naval Weapons Center, China Lake, CA	Jul. 1, 1969
23. Naval Avionics Center, Indianapolis, IN	Jul. 1, 1955
24. David W. Taylor Naval Ship Research and Development Center, Bethesda, MD	Jul. 1, 1957
25. Naval Coastal Systems Laboratory, Panama City, FL	Jul. 1, 1968
26. Naval Air Development Center, Johnsville, PA	Jul. 1, 1969
27. Naval Air Test Center, Patuxent River, MD	Jul. 1, 1969
28. Naval Air Engineering Center, Lakehurst, NJ	Jul. 1, 1969
29. Naval Civil Engineering Laboratory, Port Hueneme, CA	Jul. 1, 1969
30. Naval Ocean Systems Center, San Diego, CA	Jul. 1, 1969
31. Naval Air Propulsion Test Center, Trenton, NJ	Jul. 1, 1969
32. Naval Underwater Systems Center, Newport, RI	Jul. 1, 1971
33. Naval Pacific Missile Test Center, Point Mugu, CA	Jul. 1, 1971
34. Naval Surface Weapons Center, Dahlgren, VA	Jul. 1, 1969

Printing:

35. Naval Publications and Printing Service, Washington, DC	Sep. 1, 1951

Transportation:

36. Military Sealift Command, Washington, DC	Jul. 1, 1951

Base services activities:

37. Public Works Center, Norfolk, VA	Jul. 1, 1957
38. Public Works Center, Pearl Harbor, HI	Nov. 1, 1974
39. Public Works Center, San Francisco Bay, CA	Jul. 1, 1974
40. Public Works Center, Guam, M.I	Apr. 1, 1962
41. Public Works Center, Subic Bay, R.P	Jul. 1, 1962
42. Public Works Center, San Diego, CA	Jul. 1, 1963
43. Public Works Center, Great Lakes, IL	Jul. 1, 1967
44. Public Works Center, Pensacola, FL	Jul. 1, 1967

Naval aircraft maintenance:

45. Naval Air Rework Facility, Alameda, CA	Mar. 1, 1962
46. Naval Air Rework Facility, North Island, CA	Apr. 1, 1962
47. Naval Air Rework Facility, Norfolk, VA	Jul. 1, 1962
48. Naval Air Rework Facility, Cherry Point, NC	Aug. 1, 1962
49. Naval Air Rework Facility, Jacksonville, FL	Oct. 1, 1962
50. Naval Air Rework Facility, Pensacola, FL	Nov. 1, 1962

AIR FORCE INDUSTRIAL FUND ACTIVITIES

There were nine activities operating under the Air Force Industrial Fund during fiscal year 1981. They consisted of four activity groups: Laundry and Dry Cleaning Services (one activity, 17 plants); Transportation (Military Airlift Command); Depot Maintenance (five air logistics centers and one aerospace guidance and metrology center administratered by the Air Force Logistics Command) and Base Service Activities (one real property maintenance activity).

Laundry and dry cleaning services:

1. Air Force Laundry and Dry Cleaning Services, Air Force Services Office, Philadephia, PA	Jul. 1, 1955

Transportation:

2. Military Airlift Command, Scott AFB, IL	Jul. 1, 1958

Depot maintenance: Air Force Logistics Command, Wright-Patterson AFB, Dayton, OH:

3. Warner Robins Air Logistics Center, Warner Robins, GA	Jul. 1, 1968
4. Ogden Air Logistics Center, Ogden, UT	Jul. 1, 1968
5. Oklahoma City Air Logistics Center, Oklahoma City, OK	Jul. 1, 1968
6. Sacramento Air Logistics Center, Sacramento, CA	Jul. 1, 1968
7. San Antonio Air Logistics Center, San Antonio, TX	Jul. 1, 1968
8. Aerospace Guidance and Metrology Center, Newark AFS, NJ	Jul. 1, 1968

Base services activities:

9. San Antonio Real Property Maintenance Agency, San Antonio, TX	Oct. 1, 1978

MARINE CORPS INDUSTRIAL FUND ACTIVITIES

The Marine Corps had two depot maintenance activities operating under industrial funds during fiscal year 1981:

1. Marine Corps Logistics Supply Base, Albany, GA	Jul. 1, 1968
2. Marine Corps Logistics Supply Base, Barstow, CA	Jul. 1, 1968

DEFENSE INDUSTRIAL FUND ACTIVITIES

The Defense Industrial Fund consists of the Defense Logistics Agency Industrial Fund and the Defense Communications Agency Communications Services Industrial Fund. The Defense Logistics Agency (DLA) Industrial Fund finances a clothing factory at the Defense Personnel Support Center in Philadelphia, PA. The Defense Communications Agency (DCA) Industrial Fund provides worldwide long haul communications services to the Department of Defense and authorized non-DoD customer activities. The communications services are contractual and the DCA Fund is managed from DCA headquarters in Washington, D.C.

Clothing and textiles:	
1. Directorate of Manufacturing (Clothing Factory), Philadelphia, PA	May 1, 1962
Communications:	
2. Communications Services Industrial Fund, Scott AFB, IL	Jul. 1, 1965

Mr. PRINCIPI. Thank you, sir.

Dr. West, I would just like to ask a question on the military manpower troop diversion program that you addressed on pages 2 and 3 of your statement.

You make the statement that the result is that force readiness improved. Last year we were privy to a memorandum which indicated that perhaps the BNM/TD was not working as hoped and that improvement in readiness was not substantial.

How have you measured this improvement in force readiness?

Dr. WEST. Mr. Principi, we have gone to what I would consider extraordinary means in an attempt to measure what we believe to be the real force readiness impacts of the return of soldiers to their units. As you know, the commanders support the program but it is at the installation or the battalion level that your question, I believe, is directed. So, let me respond by indicating a couple of examples, and I will also submit for the record examples, at the battalion level which we included in a letter to the chairman of the Senate Armed Services Committee on March 11.

[The information follows:]

DEPARTMENT OF THE ARMY,
OFFICE OF THE DEPUTY CHIEF OF STAFF FOR PERSONNEL,
Washington, D.C., March 11, 1983.

Hon. JOHN TOWER,
Chairman, Committee on Armed Services,
Washington, D.C.

DEAR MR. CHAIRMAN: During the period of 1974 to 1980, Army civilian end strength was reduced by an estimated 50,000 without a concurrent reduction in missions or functions. Since civilians perform almost all of our base support activities, Army commanders were forced to use soldiers to accomplish critical support functions. Unfortunately, as civilian end strength decreased, this practice of borrowing or diverting soldiers to perform civilian functions became an accepted way to meet mission requirements. By the end of 1980, some 25,000 to 28,000 soldiers were reported as being borrowed or diverted on a daily basis, the equivalent of two divisions.

We presented this situation to the Congress in February 1981. Congress responded by authorizing 16,800 additional civilian spaces for fiscal year 1982, to be used to return the borrowed and diverted soldiers to their units. During the fiscal year 1983 budget review process, this authorization was reduced to 14,300.

I am pleased to report that as of 30 September 1982 over 12,000 soldiers have been returned to their units. This figure includes over 2,500 noncommissioned officers. Concurrently, we have hired about 2,000 family members of soldiers stationed overseas, improving community support and reducing the financial burdens of these families.

In brief, this program is exceeding our objectives; however, some problems have been encountered. I am personally involved in solving them. I have visited numerous installations, audited their use of spaces and directed appropriate management actions to correct identified deficiencies. In addition to the Inspector General having made this an area of concern I have requested an audit by the Army Audit Agency (AAA) to insure compliance with Congressional intent and Department of the Army instructions. Preliminary indications are that AAA is identifying some inappropriate use of the civilian spaces authorized for replacement of borrowed or diverted soldiers. In cases where they have identified inappropriate use, we have taken immediate corrective action, to include redistributing the civilian spaces to replace valid remaining borrowed or diverted soldiers. This process will continue until the detailed audit results are available in the summer of 1983. Should we determine that we do not have a valid use for all the civilian spaces to replace borrowed or diverted soldiers; we will return the remainder to you.

Although the Army still has about 5,000 replaceable borrowed or diverted soldiers, the Army, the individual soldier and the nation have profited immensely from this program which has received the personal attention of the Chief of Staff and all Senior Commanders. The value of this program is exemplified by the Commanders' comments of improved readiness listed at Enclosure 1 along with specific examples of readiness improvements identified during my discussions with Commanders at Fts. Hood, Sill, Riley and Lewis. Also, at Enclosure 2, I have included our responses to Congressional concerns regarding the size of the program, the readiness implications and the priorities of the program at the unit level.

Our objective has always been to improve force readiness by using these civilian spaces to return borrowed and diverted soldiers to their units to perform the jobs for which they enlisted. This objective is being achieved and your continued support will ensure that at least 14,300 borrowed or diverted soldiers are returned to their units.

Sincerely,

M. R. THURMAN,
Lieutenant General, GS,
Deputy Chief of Staff for Personnel.

[Enclosures]

[Enclosure 1]

ARMY COMMANDERS COMMENTS ON BMM/TD REPLACEMENT

Gen. Kroesen (Commander, USAREUR and Seventh Army):

Greatest impact is on training readiness.

Units are no longer tasked to provide soldiers for training support while at major training sites (Seventh Army Training Center).

Improved individual and unit training—returned NCOs now supervise and teach their soldiers.

2d Bn 68th Armor attributed qualification of 100 percent of its tank crews to the replacement program.

Improved maintenance and repair of unit equipment.

MG Mahaffey (Commander, 3rd Infantry Division):

Reducing BMM/TD has helped man more rifle squads, tank crews and howitzer sections.

Between Aug. 81 and Mar. 82:

Fully manned (10 men) infantry squads increased from 14 to 35 of 162 authorized.

Fully manned (10 men) artillery sections increased from 7 to 23 of 66 authorized.

Fully manned (4 men) tank crews increased from 200 to to 224 of 310 authorized.

Improved capability to perform both training and potential combat missions at the "cutting edge."

Returning soldiers to their units has helped reduce those daily training distractors that inhabit the commander's ability to train a cohesive fighting unit.

The way we train today . . . is the way we will fight tomorrow.

Gen. Cavazos (Commander, Forces Command):

At Fort Campbell, the equivalent of over 2 rifle companies were returned to their units for training on a daily basis and reduced readiness impact.

In aggregate terms, the equivalent of six additional combat battalions are available for training on a daily basis.

Soldiers training (as opposed to providing installation support) improves readiness.

Gen. Otis (Commander, Training and Doctrine Command):

There are positive aspects in hiring civilians and returning soldiers to their units.

Improved unit cohesion:

Soldiers supporting the installation Adjutant General's office at Fort Knox were returned to their units and provided total administrative support for the 194th Armored Brigade. Role now parallels unit's wartime mission and improves operational readiness.

Improved individual and unit training:

Soldiers returned to 36th Engineer Detachment (Fort Ben Harrison) improved their skill qualification test scores, from 40 percent while functioning as BMM to 88 percent passing after being returned.

Improved Quality of Life:

Soldiers are unhappy when pulled from the job for which they enlisted. Job satisfaction is a critical element in soldier retention.

LTG Forrester (Commander, Western Command):

BMM replacement program has been very beneficial for the units affected and in most instances to the individual soldier concerned.

Civilians hired have reduced the turbulence created by the continual turnover associated with sustaining BMM fill and have contributed to stability of the installation workforce and unit operations.

Specifics:

45th Support Group:

Improved manning of assigned ships:

All Landing Craft Utility (LCU) fully manned.

Deleted need for waiver for licensed chief engineers aboard LCU's.

Improved communications capability on Beach Discharge Lighter, PAGE.

25th Infantry Division:

Improved manning in combat units.

Additional infantry squad fire teams manned, artillery fire support team manned.

Improved NCO manning posture.

All NCOs serving as BMM returned.

Improved maintenance capability.

Additional helicopter and wheeled vehicle mechanics available to maintain unit equipment.

LTG Thurman, Deputy Chief of Staff for Personnel—Discussion with Commanders at Fort Hood, Fort Sill, Fort Riley, and Fort Lewis.

Examples of specific readiness improvements:

Return of target acquisition specialists permitted operation of four sound/flash bases. Prior to return only three sound/flash bases could be manned (25 percent improvement).

Return of six field artillery NCOs provided leadership and experience to an 8" howitzer battalion (50 percent improvement in howitzer section chief manning).

Return of wheeled vehicle mechanic provided capability to field an additional vehicle recovery section (50 percent improvement).

Return of admin clerk increased unit admin support by 33 percent.

Return of radio teletypewriter operator permitted battalion to operate an additional communication system (50 percent improvement in communications capability).

[Enclosure 2]

CONGRESSIONAL CONCERN, BMM/TD, RELATED TO GAO DRAFT INFORMATION PAPER

The Senate Armed Services Committee and the House Armed Services Committee identified a need for further evidence from the Army to support retaining the additional civilian personnel provided to the Army to replace military personnel being diverted from their units to perform civilian functions. This requirement is based on the results of a General Accounting Office "audit" performed at the request of the House Armed Services Committee. Five specific areas of concern were identified.

The following is a listing of the five concerns with appropriate remarks keyed to the individual concerns.

1. "The Army's justification was based not only on civilian requirements to replace borrowed military manpower but also on troop diversions, which is work generally done by military personnel."

Army justification was based on the need to replace soldiers who were performing tasks for which civilians should be hired. There are borrowed and diverted soldiers who perform duties requiring military personnel. These soldiers were not included in the Army's justification.

Troop Diversions are other "borrowed" soldiers, not meeting BMM definition.

Who perform functions suitable for civilian staffing.

Whose workload is of constant or recurring nature.

Commanders are required to perform missions with limited resources and are required to determine appropriate priorities. This creates the need to borrow or divert soldiers to accomplish tasks which are unresourced.

Certain troop diversions which could be documented as manpower requirements were replaced by civilians.

2. "The negative impact on readiness which was presented by the Army as justification for the additional civilians was largely subjective and perhaps even unfounded."

The measurement of readiness is largely subjective.

BMM can be quantified in terms of overall force readiness.

19.1K borrowed or diverted soldiers equates to over a division's worth of troops away from units on a daily basis.

Approximately 3000 NCO's are included in the 19.1K.

The 1981 Defense Manpower Requirements Report stated: "The absence of these military personnel (BMM) from parent unit affects the capability of the individual to retain skills associated with his occupational specialty, the capabilities of the parent unit to conduct realistic training and ultimately, the readiness of our combat forces."

Senior Army Commanders (MACOM) view BMM/TD as serious force readiness problem.

In Europe, the absence of soldiers from their units equate to approximately 4% of the enlisted end strength of Europe.

Absences affect training and unit cohesion.

Improvements to readiness exist at the unit level by the return of soldiers to their units.

3. "The Army has allocated the new civilian spaces to Major Commands and units mostly on a first-come/first-serve basis as opposed to prioritizing specific needs."

Allocation of civilians was based on utilization of BMM/TD as reported by Major Commands and their installations.

Army provided detailed policy guidance to the Major Commands for allocation and use of the civilian spaces. Those spaces not used consistent with guidance were returned to HQDA and redistributed to other BMM users.

Local hiring conditions and the urgency to accomplish hiring actions prior to 30 Sep 81 influenced hiring.

In some cases easy to fill spaces received priority for fill.

Some inappropriate use occurred.

Corrective actions were initiated.

HQDA continues to monitor utilization and redistribution.

DCSPER visted several CONUS installations.

ODCSPER staff visited selected installations.

DAIG Special Items of Interest.

Army Audit Agency is conducting audit of allocation and use. (Expected completion—Summer 1983).

4. "Some of the new civilians are being used to perform functions for which no recognized requirement and/or manpower authorizations existed at the time the Army provided its justification."

Since 1974 commanders have not documented all civilian requirements because using BMM/TD was easier.

Historical pattern has been a consistent reduction in civilians (50K since 1974).

DOD requires civilians in TDA organizations, military by exception.

Perception of commanders that it was useless to establish civilian requirements if manpower authorizations would not be made available.

5."Commanders had generally selected military personnel for BMM duties who were likely to have the least impact on readiness."

Commander establishes priorities to meet mission requirements.

In some cases, it may be good management practice to use personnel that have least impact (i.e., soldiers with medical profile who couldn't participate in field training exercise.)

Personnel rotation results in commander not being able to use personnel that least impact on a continuing basis. Quality soldiers needed for training must be borrowed or diverted. This is the normal case and impacts on training readiness.

Dr. West. Let me just give you an example. The 7th Army Training Command in Europe, Grafenwoehr—I believe you visited there at one point in the last year. Actually, General Kroessen attributes the fact that 100 percent of the tank crews obtaining proficiencies—now 100 percent, not before but now—is directly attributable to the fact that soldiers from a battalion, let us say 30 or 40 soldiers out of a tank battalion, no longer have to go out and maintain the range at Grafenwoehr. That is pulling targets down, putting targets up. They are all able now to participate in unit training which has resulted in readiness improvement.

In the case of unit manning readiness we can document the numbers of tank crews that have increased to 100 percent manning. The same thing is true of artillery sections at the battalion level and infantry squads. There are notable increases.

So, I believe now that we have been able to articulate that. As I said, I will submit those details for the record and they are included in the letter we submitted to you on March 11, 1983.

Mr. **Principi**. Do you expect that you will need more than the 14,000 civilians?

Dr. **West**. Actually we have remaining on the validated list of borrowed soldiers some 5,000 as a result of the fiscal year 1984 request.

Now, as it stands today we believe that we will reach our 14,300 level of civilian hires at the end of fiscal year 1983 and return a few more soldiers than 14,300. So, the differential remains at about 5,000. Our validated list is in fact about 19,000.

Now, the question is, Should we replace any today, any more today? My response to you directly is, no. It is because of the following reason:

The Chief of Staff has requested that commanders review the remaining validated borrowed military manpower and troop diversions to see if we are not able to compress it still further. It was a way of life during the decade of the latter 1970's and now we are experiencing a situation where we are trying to reduce it.

So, in terms of a request, at this time there is no request to go above the 14,300 level.

Mr. **Principi**. Thank you, Dr. West.

Dr. **West**. Yes, sir.

Mr. **Principi**. I have just one more question and we will break until the Senator returns. He apologizes for the number of votes that are on.

READINESS WITH RESPECT TO CONTRACTING-OUT

Mr. Calhoun, how can we best address the real concerns that have been expressed by those in Congress and elsewhere regarding the readiness issue with respect to contracting-out?

I guess what I am asking is, is there some kind of list that can be provided to the members of this committee and the House Armed Services Committee which would show that those functions which are inherently governmental must be performed by military personnel to insure a high degree of readiness, and not be contracted-out? Would that help to defuse the controversy over this issue?

Mr. **Calhoun**. It would certainly help. The reason for the time lag in my response is, it occurs to me that is a very elusive list. It is a very complicated proposition to say that all *x's*, *y's*, and *z's* are going to remain constant over time, given the dynamics of your warfighting strategies; given the dynamics that technology introduces into the work force; given the dynamics of hosts, host communities and host nations where our bases are located.

I think we could probably give you, if you would charge us to do so, a list of things that probably in generic terms would be reasonable candidates to look at. But to give you very specific lists I think would be difficult.

I think once you embody types of candidates on a list they seem to have some mystical way of becoming permanent and coming back to beat you up.

Mr. **Principi**. I would just hope from the staff level—and I know it is shared by the chairman—this issue will certainly resurrect itself in the coming months. I think any kind of statement, or list, or signs, different degrees, might help to resolve this pestering problem.

I believe the OMB action to restore the civilian end strength has gone a long way to satisfying many of the concerns of many members.

Mr. **Calhoun**. I share your frustration and if you would like we will certainly try to respond a little more eloquently to your question, and see what we can do to help allay that sense of frustration.

[Additional information follows:]

CONTRACTING OUT CRITERIA

There are no specific types of commercial activities that universally must be retained in-house for national defense reasons. For example, as a functional area is reviewed, such as vehicle maintenance, the first step is to determine how many functions must be retained in-house to ensure that there are sufficient numbers of military vehicle maintenance personnel to deploy in support of war plans or to meet overseas rotation requirements. Consequently some vehicle maintenance functions are required in-house and some are suitable for contract performance. The same is true for all other commercial activities, such as audiovisual services, supply services, food services, guard services and fire protection services. Decisions to conduct cost studies for possible conversion to contract are made only on those activities that are not required in-house for national defense reasons.

The following matrix displays some of the criteria used in determining if specific functions can be considered for contracting out:

CONTRACTABLE ACTIVITIES

	Functions	Yes	No	Maybe	Remarks
1.	Food Services Vehicle Maintenance Real Property Maintenance & Repair Audiovisual Services Automatic Data Processing	Training Centers Service Schools	Infantry Companies Deployable Fighter Wings Ships	Some activities at training centers may also need to be in-house to satisfy overseas rotation base requirements for military.	
2.	Guard Services	Perimeter guards and badge checking at installations like sub-base Bangor, Washington.	Nuclear storage or nuclear loading areas like sub-base Bangor, Washington; strategic and tactical aircraft.		
3.	Aircraft Maintenance	Some Depot workloads; transient and administrative aircraft.	Deployable Fighter Wings, strategic and tactical aircraft.	Need some substantial in-house capability--not sure how much.	
4.	Office Equipment Repair Custodial Services Refuse Collection Medical and Dental Equipment Maintenance Printing and Reproduction Laundry and Dry Cleaning	Most Cases	Remote locations, where no commercial sources are available.		
5.	Civilian Personnel Offices Budget Offices Contracting Offices Recruit Training Inspector General Offices		All		Although these functions are not normally contractable, there are some sub-functions within some of them which are contractable e.g., employment testing, and auditing services.

Mr. PRINCIPI. Sir, in your opinion—and I request the opinion of the other members of the panel—is the Office of Management and Budget exerting undue pressure on the services to contract-out?

Is the size of the Federal work force, reduction in the size of the Federal work force, dictating to you that more contracting-out has to be done, whether it affects military readiness or not?

Mr. CALHOUN. In my view—OSD—I do not see, nor do I sense any pressure to just arbitrarily contract-out from OMB or any other source.

I think we are of a like mind with respect to contracting-out, that it is certainly in our interest to do so where it makes sense and where it is going to benefit the organization and produce on the bottom line.

Mr. PRINCIPI. General?

General MCCARTNEY. I would like to say that the decision this year not to remove the civilian end strength from our budgets in anticipation of contracting-out is very favorably received. I think it takes a lot of pressure off, that the contracting-out thing is being mandated to the field commanders where we used to take out 100 percent, a year ago we took out 50 percent.

Now, this year you leave the end strength in until the decision is made and I think that has taken off the pressure of it being looked at like OMB is forcing us to do that. I do not feel we have been subjected to undue pressure from OMB to contract-out.

We have been allowed to pursue our programs in what we feel is the most cost-effective way. Work on the Air Force manpower, accomplish our mission with readiness and rotation requirements and with the dollars which are made available to us.

Dr. WEST. Sir, I do not believe the Army would be adverse to any kind of a program such as that announced in A-76 under any circumstances.

BEST COPY AVAILABLE

The only problem that we have had—and Mr. Calhoun and General McCartney have alluded to it—is the rate at which we initially started and began to implement the program. Last year the Congress did see the rate of change as perhaps too great and did restore the spaces.

Therefore, we believe that we can accomplish a program, and in fact, it is to our best interest to do so in terms of the conversion. Certainly a good deal of our work can be converted.

But it was initially the rate of program execution and implementation that became a problem to us, largely because we were falling behind in terms of the accomplishment of the conversions to commercial activities. The Army fully supports the program.

I am one of the major advocates because I see it as an opportunity to relieve some of the MACOM civilian manpower demands that are placed against my office. I almost always, when I visit a MACOM, recommend that they undertake their own conversions to introduce additional flexibility in their civilian work force and to permit them to redistribute that work force.

So, the Army is a full supporter and I believe that once we get past this initial phase, that it will get back on to a positive implementation record.

Mr. PRINCIPI. Once the contract is signed, the conversion, is it at that point in time that the number, the civilian end strength, is reduced accordingly?

Dr. WEST. Well, sir, as you know, in the past we anticipated certain conversions by fiscal year. We took the spaces away from the MACOM at that time for that fiscal year in anticipation of successful conversions, which was a proper approach. We used the spaces elsewhere within the Army for other high-priority requirements.

It was when we began to fall behind the anticipated successful conversion rate that we began to get into difficulties with respect to the MACOM's ability to perform the mission from which we had removed the civilian spaces and they had not yet converted to a commerical contract activity to perform their essential mission requirements.

Mr. DIXSON. I would say that in the past—as is now—at the Department of the Navy level we do not feel we have suffered or been exposed to any undue pressure from OMB with respect to contracting-out.

In the past, our budget being a forecast, has anticipated contracting-out in advance and that was based on a number of studies we thought we would be able to complete.

I would say that given the fact that those spaces were taken out in advance, perhaps there was a perception at the command level or at the base level that they were being forced to contract-out, no matter what. Certainly, that was not the case.

Our point was that we knew from prior experience—particularly from experience of the other services, we got into this program a little later than the other services—that if you completed the studies, that experience told you a certain amount of functions would be cheaper if you had a contract and they would be converted to contract.

I think that from a command and field perception by virtue of adding those spaces back in now in the civilian corps there is a perception of less pressure or less prejudice, if you will.

By the same token, we have emphasized that it is absolutely essential we get on with the program because we are concerned. We want to insure that the functions that are deemed to be contractible are performed in as cheap a way as possible—whether that is in-house or whether it is on contract, so be it.

One of the things I think that needs to be said, inherent to the whole contracting process is something called a review. As part of that review process you look at the function and make a determination as to whether that function is inherently governmental or whether that function is deemed absolutely essential for readiness.

If it is said that determination is reviewed throughout the command structure, throughout the departmental structure, that is it, we do not pursue it any further. So, inherent in the whole process as the No. 1 prime consideration, is insuring that we are not contracting-out anything or we are not studying anything that will adversely impact the readiness of the Department of the Navy.

THREAT OF STRIKES

Mr. PRINCIPI. I just have one additional question.

Last year during the conference a number of issues were raised by various Members on both sides on this issue. There was discussion about the threat of strikes; the issue of buying in at a very low bid and once your infrastructure is no longer there, the contract price would rise and the Government would be held hostage to the contract.

There was discussion of lost control in accountability by the operational commander when you had part of your function under contract.

A number of examples were used, one of which was that during a major mobilization exercise when the hour of 1700 rolled around the exercise had to stop or certain segments of the operation had to stop because computer operation was under contract and they left for the day.

I do not know if you have heard of that example. But I wonder if you could just comment on some of these allegations that have been raised and whether they are founded or unfounded, and how you determine them.

Mr. Calhoun.

Mr. CALHOUN. There is obviously a possibility that you can write a bad contract. You always attempt to write a good contract that is tight enough that it will provide you with sufficient options and language to put in the system backup provisions in the event that there are strikes.

The contracts that I am aware of generally provide for that contingency. To date we have not, insofar as I know, suffered any great losses nor have we—in anyone's opinion that I am aware of—suffered with respect to readiness as a result of a strike.

Accountability as well as the aspect of lost control, that too I think is covered in your ability to make a good contract. Again, to the extent that I am aware there is no lost control on any of the contracts that I know of.

On accountability, I think like anything else it really depends on the individual or set of individuals that are overseeing or managing the contract. I do not care how good a contract you have, if you do not have someone who is interested in managing it and pursuing the objectives of that contract you can have those intangible elements creep into your relationship.

I have also heard rumors about contractors bidding in low and after they are in and secure, and stroked the back of the neck of the installation commander sufficiently, they come back and raise the price; the cost of labor goes up or the number of employees goes up. I have heard those horror stories.

However, I have never seen any data to support those rumors, allegations or horror stories. I think they make very good press and they serve to raise the visual emotion of folks here in Washington. I would be happy to review and to advocate properly for those cases where that is so. But until I see it, I just cannot do that.

So, on that last point all I have heard is hearsay and I do not have any documentation to support that.

Mr. **Principi.** Thank you very much, gentlemen. We stand in recess until the chairman returns.

Thank you.

[Recess.]

Mr. **Principi.** On behalf of the chairman, thank you very much, gentlemen. I appreciate your testimony. We will submit any other questions for the record.

Captain Kinert, Colonel Bush.

Gentlemen, I apologize. I recognize this is quite unusual. However, in view of the fact that you have come such a long distance and the Senator has other commitments, I certainly want to make sure we have the opportunity of receiving your testimony.

Captain, Colonel, welcome. You may proceed as you wish.

STATEMENT OF CAPT. JOHN KINERT, USN, COMMANDING OFFICER, SUBMARINE BASE BANGOR, WASH., ACCOMPANIED BY CAPT. DAVID MILLER, CEC, USN, CONTRACT ADMINISTRATOR

Captain **Kinert.** Thank you. It is my pleasure to be here today. I would like to introduce myself, I am Capt. John H. Kinert, U.S. Navy, commanding officer of the Naval Submarine Base, Bangor in Wahington State.

I have brought with me today my contract administrator, Capt. Dave Miller.

I have submitted a statement for the record and I will briefly summarize that statement now.

Bangor is the host command for all local commands which comprise the Trident strategic system. My base provides support for over 2,500 buildings situated on 12,400 acres. The base is operated and maintained by a base operating service [BOS] contract, which consists of 19 service functions with approximately 350 military, 400 civil service, and 1,200 contractor personnel working on submarine base. Control of these groups needs to be integrated to effectively carry out my mission of support.

Control of the contractors is exercised through contract compliance. If it is not specified, it will not happen. If the documents are not precise, then the results can be equally imprecise. While it is essential to have control to properly manage the base it is also imperative that the organization—military, civilian, and contractor—be responsive to the operational aspects of the mission.

The contractor has demonstrated rapid response to Government changes in emergency conditions. This has been proven by the initial load-out and deployment of U.S.S. *Ohio* on its first two strategic deterrent patrols. I am pleased with the contractor's response to my direction to date.

Two specific areas of committee interest conveyed to me are firefighting and security services.

Firefighting services have been contracted since the contract was initially awarded. The contractor provides fire prevention and fire-suppression services for submarine base, and outlying Navy housing, medical, and firing range areas which are also under my administration.

All contract personnel are required to meet Navy standards for training and qualifications. Our experience has shown that the contractor has met or exceeded these standards with his personnel, trained in all classes of firefighting including fires involving nuclear weapons and nuclear components.

Several reasons have supported my conclusion that Bangor firefighting capabilities are superior. The Navy Facilities Engineering Command Inspector reported that the fire department was exceptionally good in all areas and as professional a department as he had ever seen.

Since the fire marshal inspects all west coast Navy fire departments, his evaluation was especially significant to me. In every nuclear weapons inspection, radiological controls evaluation and through submarine base quality assurance inspections of it, the fire department's performance has been satisfactory in every respect.

Lastly, as an indicator of professionalism and competence, I have been impressed by the Bangor Fire Department's sharp appearance, its obvious pride and responsiveness in all drills and emergencies.

One cannot help but conclude that my firefighting capabilities are outstanding and are providing the needed services to safeguard my base, its personnel, facilities, and equipment.

BASE SECURITY

Security is the most critical aspect of my responsibilities as commanding officer. Submarine base is an immense facility with over 5 miles of waterfront and 22 miles of perimeter fence line. Since 1974 there has been a history of anti-Trident demonstrations with numerous occasions of civil disobedience on or near the base. While none of these trespassers have caused damage to date, the possibility for such action exists in the future.

The security services provided by the contract include physical security of the base, its buildings, traffic law, protection of property, and critical onbase operations.

Bangor's security forces are as professional a police force as I have ever seen. Their pride, demeanor and obvious professionalism is readily apparent. When asked—as I have been a number of times—if contracting of security services will work, I request that the person asking observe our operation at Bangor and then compare it to any other security force on any other base. My experience is that no other base will be more professional or effective.

The training of the security force meets or exceeds Navy standards. The security force is young, physically fit, and highly motivated. The quality of law enforcement provided by the contractor has been apparent by the success rate in Federal magistrate's court. The assistant U.S. attorney in charge of criminal complaints has stated that Bangor's attention to detail in preparing a case for prosecution is far superior to that of other military installations in the Northwest.

The contractor's security force training program, professionalism and responsiveness were key factors in the decision of the local county sheriff to deputize the base police officers, which has smoothed the interface between base security and other local law enforcement agencies.

During the preparations for the arrival of U.S.S. *Ohio,* contractor security personnel were participants in a joint management team effort which included State, Federal, and local authorities. This team provided plans to coordinate many agencies, encountering potentially hostile reactions associated with Trident.

I have a book which highlights the training, organization standards, and has a pictorial record of submarine base Bangor's security and firefighting services. This book is available to look at and, if desired, I will be happy to submit it for the record once I clear possible proprietary matters.

Senator JEPSEN. It is desired if you would, please. We would like to have that for the record.

(Retained in committee files.)

Captain KINERT. Yes, sir.

I understand the committee is interested in any other problem areas that I may be aware of. While the present contractor at Bangor has been performing his services in a consistently superb manner, contracting of services can present problems to the base commander.

BASE OPERATING SUPPORT CONTRACT

First, the use of a number of separate contracts to provide services instead of an umbrella or base operating support contract can result in a serious management problem. Conflicts can develop as to which contractor is responsible for these problems. Lack of cooperation between different contractors can end up with degraded services. Economy of management is not realized since each requires his own management. In a base operating support contract these problems will not arise.

In addition, there are several resultant benefits which promote increased efficiency. The BOS contract management can shift assets to higher priority tasking and small business subcontractors can be required to be part of the BOS contract with the contractor providing management expertise, financial backing, and other assistance to the subcontractors. At Bangor this has worked extremely well over $6 million or approximately 17 percent of the overall contract value subcontracted to small minority subcontractors.

Another potential problem in contracting services could result from a strike action against the contractors. With present civil service and military manning of Bangor, there are insufficient assets to carry out any but the most critical services. Strike contingency plans have been developed to provide temporary critical services. Augmentation of base personnel would be required if the strike were to continue for any extended period of time.

Lastly, an area of concern to me was identified during the recompetition of the Bangor contract last year. Fortunately, the contract evaluation process included a quality-versus-cost feature which allowed the evaluation team to critically analyze the bid proposals for effectiveness of their described services. Without this, there is little basis for determining if the competing contractors can each satisfactorily provide the service.

I believe cost-alone-evaluation criteria could result in awarding of service contracts that fail to provide the service desired.

Contract costs during the 5-year period of Bangor's initial contract have gone from $14 million in fiscal year 1978 to a cost in fiscal year 1982 of $37 million. The reasons for this growth are: the facility has experienced a 180-percent increase in size with the activation of new facilities, there has been unprecedented inflation, and tenant commands at Bangor have gone from 20 in fiscal year 1978 to 60 at the present time.

While cost growth is significant, contracting remains cost effective. A detailed feasibility study was conducted in fiscal year 1981 to determine if contracting was still cost effective. This study resulted in a determination that the fiscal year 1981 contract was 10 percent or $3.8 million below the Government's in-house estimate.

This study was the required basis needed for the fiscal year 1983 contract renewal decision.

The contractor's performance as viewed by area commanders and myself has been superb. The contractor's management team has a technical base that comes from private industry, the military, and other Government agencies. It is managed effectively, has been responsive and innovative to insure that submarine base can accomplish its mission.

The first Navy umbrella contract has met the test and it has done so in support of probably the Navy's most important weapon system. It has not just "cut the grass and washed the dishes" but has provided professional security in the face of repeated demonstrations and activist penetration attempts, and has provided all services enabling a high state of readiness for the strategic mission accomplishment.

In summary, contracting of services on bases such as Bangor can be effective and realize economies in the overall cost of base operations.

I hope that my views and experiences related above provide the information you desired. I would be happy to expand or further explain any of my comments or attempt to answer any questions that you may have, sir.

[The prepared statement of Capt. John Kinert follows:]

PREPARED STATEMENT OF CAPT. JOHN H. KINERT, U.S. NAVY, COMMANDING OFFICER, NAVAL SUBMARINE BASE, BANGOR, WASH.

Good morning ladies and gentlemen. I am pleasd to testify today on the subject of contracting out base support services at the Naval Submarine Base Bangor, Washington.

I am Captain John H. Kinert, United States Navy, Commanding Officer of Naval Submarine Base, Bangor, Washington. I was associated as Commanding Officer of the base some nineteen months ago. This tour followed previous assignments ashore and afloat which have included Commanding Officer of the submarine repair ship U.S.S. *L. Y. Spear* and the Fleet Ballistic Missile submarine U.S.S. *Casimir Pulaski* as well as tours on U.S. and NATO staffs.

My statement will include a brief description on the Bangor area command structure, a discussion of the Base Operating Service Contract (BOSC) and my evaluation of that contract, a specific discussion of contracting out of firefighting and security services and my views on problems involved in contracting out.

The Naval Submarine Base, Bangor, Washington is a geographically located approximately ten miles north of the city of Bremerton, Washington, and is situated on the eastern shore of the Hood Canal. SUBASE Bangor is the support (host) command for all local Trident and Trident related commands which provide specific services to the Trident strategic deterrent system. As the support command, the base maintains and operates facilities for administration, personnel support, logistics and other service tasks common to all commands. This allows supported commands to concentrate on accomplishing their individual missions without diverting management attention to the day-to-day mundane problems of base maintenance. SUBASE Bangor is the first Naval installation in the United States to be operated and maintained by a Base Operating Service Contract (BOSC).

In support of Trident operations, there are two operational staff commands and three major tenant commands, described as follows:

Commander Submarine Group NINE—The operational control authority for submarines operating in the Pacific Northwest area. Responsible for command of the off-ship crews of the Trident submarines, coordination of all submarine related matters in the Pacific Northwest, ensuring that off-ship crews are trrained and evaluated as ready to assume patrol duties, and supporting dependents of both the off-ship and deployed crews.

Commander Submarine Squadron Seventeen—Exercises operational command of Trident submarines during refit and sea trial periods and the Trident Refit Facility. Is responsible for ensuring that the submarines are ready to meet patrol commitments as scheduled.

Commanding Officer, Trident Refit Facility—Provides repairs and supplies for Trident submarines at Bangor. It has alongside refit berths, a drydock, and industrial support facilities for maintenance and repairs of submarine equipment at an intermediate level, that is, above the ship's capability but below shipyard capability.

Commanding Officer, Strategic Weapons Facility, Pacific—Is responsible for the receipt, final assembly, storage, check-out, transportation and installation of the ballistic missiles aboard the Trident submarines. Strategic Weapons Facility, Pacific, also maintains a residual expertise and capability to support the Polaris Ballistic Missile Program in support of contract provisions between the United States and Great Britain.

Commanding Officer, Trident Training Facility—Is responsible for providing all Trident-related training for the Navy. This includes initial training for all newly reporting Trident personnel, as well as intermediate and advanced technical skill training, off-ship crew team and refresher training and other general military training.

In addition to these staffs and commands, the Submarine Base, Bangor also provides support to the Naval Underseas Warfare Engineering Station, Keyport, Washington, which is responsible for the assembly, testing and issue of torpedoes used throughout the fleet, and the Naval Regional Medical Center, which provides medical care for Naval personnel in the Bremerton and Bangor area.

To translate the above duties into some statistics, the base provides operational support for over 2,500 building encompassing 8.6 million square feet, situated on 12,400 acres. The value of the buildings, equipment, furnishings, etc. is over one billion dollars. Over 10,000 personnel are supported, not counting dependents.

As can be seen, Naval Submarine Base, Bangor provides a single dedicated shore support facility for nearly all the needs of the Trident strategic deterrent system.

Submarine Base, Bangor support is accomplished by a multi-faceted service contract. This contract is a performance oriented, fixed price, incentive fee contract with a fiscal year 1983 value of approximately 36 million dollars. It provides services through a contractor workforce of 1,200 personnel in the following functional areas: supply services, mess attendant services, grounds maintenance, street sweeping, trash collection, utilities maintenance, custodial services, guard mail services, photographic services, unaccompanied housing operations, building maintenance, fire protection, engineering, family housing maintenance, security services, vehicle operation and maintenance, pest control services, and associated ADP reporting. It is a one year contract with annual options to negotiate up to four additional years of service. To manage this contract and to perform tasks not covered by the contract, there are approximately 350 military personnel and 395 civil service personnel.

While the duties and responsibilities of each of the above groups are separate and are distinctly defined, there are numerous areas where close supervision and management must be maintained to prevent overlapping responsibility or duplication of work and to enhance coordination of effort. I have found that working in consonance as a team is absolutely essential in the efficient and effective execution of our duties. In each of 18 functional areas of the contract I have an appointed representative who is charged with ensuring the contract documents accurately reflect the required services. This civil service employee, called a "Technical Representative of the Commanding Officer", or TRCO, is technically competent and specifically trained to oversee, monitor, change and evaluate contract operations for his/her functional area. There may be one or more people assisting in this effort.

Since the Submarine Base and its tenant commands are not operationally static, there are contract additions, deletions and changes which must be incorporated into the basic document during the course of the year. Control is exercised only through these contract documents; if it is not specified in the contract document, it won't happen. If the documents are not precise, then the results will be equally unprecise and not up to expectations.

From a manager's point of view, control is manifested in my ability to present a problem to the contractor management and have the contractor orchestrate the interfaces between affected areas to ensure an effective solution. With an umbrella contract instead of a number of separate small contracts there is no need to constantly contact different contractors and then referee differences between them as to who is at fault. The management of the umbrella contract solves that problem.

While it is essential to have control to properly manage the base, it is also imperative that the organization (military-civilian-contractor) be responsive to the operational aspects of the mission. The contractor has consistently demonstrated rapid response to government instituted changes and emergency conditions. The 24-hour a day contractor operated trouble desk reacts to all emergencies, recalling management and technical personnel as needed and when required.

Changes in work force composition to meet new requirements have been accomplished smoothly and with qualified personnel. I have the flexibility to integrate the efforts of all contractor and base personnel to effectively carry out the mission of support to the Trident system. This has been proven by the initial operational loadout and deployment of USS *Ohio,* the first Trident submarine on its first two strategic deterrent patrols.

I have included the contractor in day-to-day discussions of base operations. This has proven very useful in carrying out the contract and has resulted in the shared philosophy of a singular mission.

In summary, I can state that I am totally supportive of the "umbrella" concept of providing base operating services. I am extremely pleased with the contractor's response to my direction. I have the necessary flexibility to ensure that appropriate command and control requirements are executed. I am satisfied with the services that are provided in accordance with the contract. Where problems have been identified, proper corrective action has been promptly taken.

Two specific areas of committee interest conveyed to me here contracting of Fire Fighting and Security Services. My thoughts and experiences in these areas are as follows:

Fire fighting services have been contracted out at Bangor since July 1976, when the BOSC was initially awarded. The contractor provides a 54 man fire department operating from three fire stations 24 hours a day. The contractor is tasked to provide fire suppression services for the entire SUBASE complex and outlying Navy housing, medical, and weapons firing range areas. This includes planning, development and maintenance of contingency plans for fire suppression operations covering all major hazards, including hazardous substances, radiological materials, and structural fires. All fire fighting personnel are required to meet Navy fire protection standards for training and qualifications.

I am very pleased with the performance of the fire fighting service contract. The fire department has consistently met and usually exceeded all Navy fire protection standards and training requirements. During the last annual inspection of our fire suppression and prevention services in November 1982, by the Western Division Fire Marshal of the Naval Facilities Engineering Command, the department was evaluated as exceptionally good in all areas of the inspection (fire suppression capability, fire prevention program, and fire department administration). In every nuclear weapons inspection or naval radiological controls evaluation conducted at SUBASE Bangor, the fire department's performance has been satisfactory. Other measures of effectiveness include recognition in the Allen G. Ogden Competitive Program for "Recognition of your effort toward the Improvement and Advancement of Fire Prevention and Fire Protection", Certificates of Appreciation and/or Achievement from The Federal Emergency Management Agency, the National Fire Academy, and the Central Kitsap School District Cooperative Education Program to name a few.

There additionally is a continuous evaluation of fire department performance through technical representative quality assurance inspections and audits, as well as the observed performance of the department during base-wide drills and training evolutions. Finally, the actual performance of the department during actual fire emergencies has indicated their superb professionalism and competence.

In my judgment, security is one of my most important responsibilities as Commanding Officer. Submarine Base Bangor (SUBASE) is a very large facility, with over five miles of waterfront property and over 22 miles of perimeter fence line. Since 1974, there has been a history of anti-Trident demonstrations with civil disobedience on or near the base. While none of the trespassers at Bangor has caused damage to operational equipment, the possibility for such action has existed, does exist now, and will exist in the future.

Security services are provided by the Base Operating Services Contract contractor. He is responsible for security 24 hours a day, every day of the year. His duties include physical security of the base property and perimeter, on-base building/facility security, vehicle control, traffic law enforcement, protection of government and personal property, random vehicle inspections to enhance protection of government property and protection of critical on-base operations. He operates the waterborne security patrol boats within the restricted waters of the Hood Canal adjacent to SUBASE to insure the waterfront security of the base. He also operates the base-wide security badge system as well as issue and control of the vehicle decals-passes.

I am highly pleased with the performance by the contractor security force. By every measure of evaluation, they have excelled.

They are young, physically fit, and highly motivated with a contractor operated certification/recertification program that keeps each member qualified and current in state of the art law enforcement techniques. Their professionalism and quality of law enforcment has been readily apparent by the prosecution success rate in Federal Court. The U.S. Attorney's Office for Western Washington has frequently commented about the outstanding procedures and reports of the contract security forces. The Assistant U.S. Attorney in charge of criminal complaints has stated that Bangor's attention to detail in preparing a case for prosecution is far superior to that of other military installations utilizing government civilian or military guard forces. Where cases have been referred to the local county prosecutor's office in exercising their concurrent jurisdiction, similar feedback about the quality of the security force has been received.

The contractor's security force training program, professionalism, and responsiveness, were key factors in the decision of the local county sheriff to deputize the base police officers. Deputization has smoothed the interface between base security police and other local law enforcement agencies.

The contract security force and local state and federal law enforcement agencies developed an effective, close working relationship providing mutual support and cooperation to each other. During the preparations for the arrival of USS *Ohio* to Bangor, this close cooperation was a key factor in ensuring the ship's safe arrival and subsequent deployment. Detailed, involved coordination was required with the National Guard, Washington State Patrol, FBI, U.S. Attorney's Office, U.S. Coast Guard, U.S. Marshals, and several Navy commands.

This management team provided operational plans and procedures to coordinate the efforts of many agencies in countering potentially hostile reactions associated with Trident submarines in the Puget Sound. Much of the "hands-on" technical expertise in methods and equipment required to ensure the safety of government property as well as the safety of the demonstrators was provided by contractor security supervisors who had considerable experience and training in crowd and riot control. The security force responded rapidly and effectively to every challenge to the security of Submarine Base, Bangor including protection of property, search and apprehension of trespassers, and processing of arrested individuals.

In summary, I am highly pleased with the performance of the contract security services at Bangor.

It was also indicated to me that the committee was interested in my views concerning any existing or potential problem areas I have recognized concerning contracting out base services.

I believe there are several pitfalls in the contracting out process. Hopefully, we have avoided most of them at SUBASE Bangor.

First, the use of a number of separate contracts to provide base services instead of an umbrella or BOS contract can result in a serious administrative problem for the base commander. Conflicts can develop as to which contractor is responsible. Lack of cooperation between contractors can degrade service effectiveness, and overall economy of management may not be realized since each contractor requires his own management. In an umbrella or BOS contract these problems will not arise and, in addition, there are several resultant benefits which promote increased efficiency: The BOSC management can rapidly shift manning assets to higher priority service tasking to better meet the base operational commitments. Small business subcontractors can be required to be included in the BOSC with the contractor providing management expertise, financial backing and other assistance to allow the subcontractors to meet his responsibilities. At Bangor this has worked to everyone's benefit, with over 6 million dollars or 17 percent of the contract subcontracted to small or small disadvantaged/minority contractors.

Another area of potential problems with a service contract is in the area of contract specifications. If the contract is poorly written or incomplete, the services provided may well be marginal or unsatisfactory.

The technical representatives who monitor, change and evaluate their particular area of the contract are crucial toward determining the quality of the service provided. If they are not objective, adequately trained, and personally responsible, the services provided by the contractor may not be responsive, adequate, or adjustable to changing needs.

Another area for potential problems in contracting services concerns a strike against the contractor or contractors. With present civil service and military manning of SUBASE Bangor, only the most critical services could be continued in the event of a strike. Although contingency plans have been developed to provide temporary critical services, augmentation of base personnel would be required if the strike were to continue for any extended period of time.

Finally, during renegotiation of the contract, one must be allowed to evaluate the effectiveness of the bid proposals versus the cost. It is not enough to merely award to the low bidder, but cost and other considerations should be part of the award process. The quality of the service is paramount and the government must be allowed to evaluate the bid proposals to determine if the service described is responsive to the government need.

There has been a growth in total contract costs during the five year period of the initial contract. From an initial cost of $14 million in fiscal year 1978, we experienced growths of 50 percent, 40 percent, 15 percent, and 12 percent in the following 4 years ending in a fiscal year 1982 cost of $37 million. The reasons for this rapid growth were: new facilities coming on line (180 percent increase to square footage maintained), unprecedented inflation (averaging over 8 percent), and a large increase to the number of tenant commands and other activities supported (from about 20 in fiscal year 1978 to 60 in fiscal year 1982).

While the cost growth discussed above is significant, the contracting effort remains cost effective. A detailed feasibility study (cost comparison) was conducted in fiscal year 1981 to determine if contracting out was still more cost effective. This study resulted in the determination that the fiscal year 1981 contract was 10 percent, or $3.8 million below the government (in-house) estimate.

The contractor's performance to date has been superb, in my judgment. The contractor's management team, drawn from diverse backgrounds with a technical base that comes from experience in private industry, the military, and other government agencies has for the past five years, managed effectively, been responsive, and been innovative to ensure that SUBASE complex can accomplish its mission. The first Navy umbrella contract has met the test of success and it has done so in support of possibly the United States most important weapon system, our Trident strategic deterrent force. It has not just "cut the grass and washed the dishes." It has provided professional services of an extremely varied nature which enabled the Submarine Base Bangor to maintain a high state of readiness and an ability to carry out its assigned mission.

I hope that my views and experiences related above provide the information you desired. I would be happy to expand or further explain any of my comments above, or attempt to answer any questions you may have.

READINESS IMPACT OF CONTRACT PERFORMANCE

Senator **Jepsen**. Thank you, Captain.

We have heard a lot of political discussion about the readiness impact of contract performance of certain services, particularly fire and security.

What has your experience been with contracts of security guards and firefighters?

Captain **Kinert**. Sir, it has been very favorable. Since I have been there—about 19 months—I have had no adverse comments or observations to make. We have been challenged repeatedly during that time by protesters both outside the fence line of Bangor and also trespassers who have come across the fence or across the waterfront. I have had to use my security force to enforce the base rules and regulations. In every case it has been successful.

Senator **Jepsen**. The argument that has been given is, if something happens, if we get into this readiness area, if we got into a period of mobilization, as though they would not be coming through. A lot of folks indicate through innuendo that is one of the readiness concerns they have.

Can you see any rationale for that at all?

Captain **Kinert**. I think it is a concern. However, I believe that the contractor—at least in my experience with the present contractor—that we would be able to support the mission of the base under any circumstance. In a case of a strike, the most important functions required to support the submarine refit and allow it to be sent back to sea on time could be done—although with a strike I probably would lose a lot of the services that would be nice to have. These services would suffer until I could replace the workers.

Senator **Jepsen**. Well, if you talk about strikes, we have Federal employees that strike.

Captain **Kinert**. Yes, sir.

Senator **Jepsen**. Some of them on a rather large scale tried to strike here a while back.

You know, it is a little bit of a paradox and it concerns me as to what the rationale is for thinking that someone who does not wear the uniform is going to be, for some reason, less effective, less patriotic, or less anything in the event of an emergency.

They seem to forget that—before a military person put on the uniform where they come from.

Captain **Kinert**. Yes, sir. They come from the same place that all the people putting the uniform on come from, sir.

I have noticed one thing that took some adjusting to, and that is the PanAm contract employees on the base feel very strongly and act in their day-to-day living that the base is their base. They take pride in their product. It took getting used to because I consider it to be my base. But then I have come to an accommodation with them because they are providing services which I require be provided, and without them I cannot do my mission.

Senator **Jepsen**. So much for that, but it is a little contradictory, it is paradox. There is no logic in it whatsoever to indicate that. Frankly it is an insult to indicate that anyone who does not have the uniform is going to be a second-class citizen in the event of a readiness situation. That is some of the innuendo.

Why a firefighter for a barracks or general building should be any less patriotic, less effective, less anything in an emergency is beyond me, or even when you go into professional continuity where they are professionally trained to do a job, they have a contract. The private sector has worked wonders in our country over the years.

If you get some professionally trained people who are kept current and stable throughout the years, if you have an emergency it seems to me that not only would it free up some of the men and women in uniform to do some things that need to be done but the fact that they having been on the job and are current, and have that stability through the years—I have lived long enough now to assist in the wartime periods in this country, having been involved in what some of us might call "the big one."

I found that when we have an emergency, that the patriotism rises to an all-time high in this country and everybody works together.

Captain **Kinert**. Yes, sir.

Senator **Jepsen**. Colonel Bush, proceed.

STATEMENT OF LT. COL. JOHN C. BUSH, USA, CONTRACT ADMINISTRATOR FOR SUPPORT SERVICES CONTRACT, FORT GORDON, GA.

Colonel **Bush**. Yes, sir. As you know, I am the contract administrator at the Fort Gordon project. I would like to summarize my statement and amplify on the areas that the committee appears to be interested in.

TYPE OF CONTRACT

First, the type of contract is, we think, quite important. As the Navy has done, we selected the type of contract which enabled us to select a contractor based on their ability to do the job and not just cost. We have incorporated in the contract—using the cost-plus type contract—incentives to encourage the contractor to perform in the Government's best interest.

We have also used an umbrella-type contract. Although we have strong small business incentives, we only deal with the prime contractor who essentially manages the small businesses and the labor effort for us.

The effect on readiness. We have had 24 major readiness exercises since the contract started. These include everything from supporting on two occasions the 82d Airborne Signal Battalion that air-dropped into Fort Gordon. At that time the contractor picked up the mission of the Division Support Command, normally a uniformed field command. They picked up that mission for that training exercise.

On both occasions the commanders of 82d Airborne Division units commended the contractor for the outstanding service they provided.

We had an air load-out on a field strip of C-130's for one of our companies that went to Fort Bragg to support the 82d Airborne on a major field exercise. The contractor provided load-out support on that field strip and was highly commended by staff members of the 18th Airborne Corps watching the load-out.

I highlight these because clearly these are options expressed by first-line Army commanders and we are talking about an unusual situation, an unprogramed and unplanned situation. And yet, the contractor responded without hesitation.

Needless to say, when a regular deployment exercise was carried out on mobilization planning, the contractor has provided excellent support and the commanders are well satisfied at every level on the post.

Unit readiness levels impacted by the contractor have increased since the initiation of the contract—due in some part to the contractor and perhaps due to other factors.

We provided very strongly for support of small business, and small business participation has gone up 265 percent in the first year of contract operations in terms of dollars.

In terms of cost control and administration, with the exception of the first year which was an aberration because of the long delays that we experienced in contracting-out the first time and the long time between the initial proposal and the actual implementation of the contract, with the exception of that first year we have held our cost increases to less than the national inflation rate, between 3 and 4 percent, which we consider excellent. We had a $910,000 underrun last year.

We attribute this type of action to the fact that 40 percent of the contractor's business management fee is tied to cost control. In this area the contractor's interest must be to vigorously pursue the Government's best interest, which they do. By pursuing the Government's best interest they very often uncover areas where there could be savings, advise us that if we were to change policies we could save money, in addition to maintaining their actual cost of operation at the lowest possible levels.

All I can say is, the results speak for themselves, they have been excellent in every case.

[The prepared statement of Lt. Col. John C. Bush follows:]

Prepared Statement by Lt. Col. John C. Bush, Fort Gordon, Ga.

Good morning Mr. Chairman: I am Lieutenant Colonel John Bush and the Contract Administration Officer for the Fort Gordon support services contract. I am pleased to appear before you on the behalf of the Department of the Army. Today I will present to you the Army's experience with contract performance under the Office of Management and Budget Circular A-76, "Commercial Activities," at Fort Gordon, Georgia.

Today I will address four specific areas: A general overview of the contract and how it operates; the effect of the contract on readiness; small business participation; cost control and administration.

The type contract selected for Fort Gordon is a cost plus award fee type contract which covers a variety of functions under a single contract or "umbrella". Charts one through three show the general scope of operations covered at Fort Gordon, missions contracted and characteristics of the cost plus award fee contract. There are two critical elements which must be understood.

First, under this particular cost plus award fee contract, the only profit available to the contractor is through award fee. The amount of fee is a unilateral subjective determination by the Government with a maximum limit of 2.44 percent of the estimated contract cost.

This type contract provides quality performance, cost control and flexibility to meet changing requirements. The missions contracted as a package at Fort Gordon directly affect readiness; therefore, performance and flexibility are critical. However, excellent cost control can also be achieved with this type contract.

The effectiveness of this system is best illustrated by performance achieved.

In the area of readiness, over 24 major exercises have been conducted since initiation of the contract. Exercises ranged from providing support to the 82d Airborne Division Signal Battalion to actual deployment of FORSCOM units stationed at Fort Gordon. The contractor has participated in all types of exercises, many of which involved support at field locations air loading and field maintenance support. Favorable comments were made by staff members of the XVIII Airborne Corps and the commander of 82d Airborne Division. Commanders of all levels at Fort Gordon have expressed satisfaction with contractor support.

Unit readiness levels in areas impacted by the contract have shown an overall sustained increase of five points. Many factors outside the scope of the contract can enter into these figures and the increase may not be entirely due to the contract. However, clearly no harm was done.

A critical factor in achieving readinesss is the coordinated effort of all activities toward a single goal. The functions of supply maintenance and transportation are interdependent and must function together to achieve the readiness goal. Army experience in the field has shown these functions must be under a single manager and it is reflected in current Army organizations and doctrine.

The employment of an umbrella contract provided unified responsibility and authority within the contracted area.

When we intitially announced that we were going to proceed with an umbrella contract, there was great concern that small business would be deprived of this market. Through incentives within the contract, the small business community is well represented.

Chart four provides a breakdown of small business participation since the beginning of the contract. In terms of actual expenditures, slightly over half of the cost goes to subcontractors. Over 60 percent of all subcontract dollars go to small or small and disadvantaged businesses. Small business participation has increased 265 percent at Fort Gordon under this contract during the first year.

The contracting officer incorporated special incentives in the contract to ensure small businesses would have a substantial share in the business. Experience shows these incentives work very well. The advantage to the Army in this contract is unified responsibility and authority in the contracted area. High performance levels are achieved and the Army is not burdened with coordinating the efforts of various subcontractors. In fact, it is doubtful the Government could exercise the control the prime contractor achieves.

The most effective operation in the world is useless if it is too costly. Charts five through seven summarize cost history to date. Key points are as follows: The annual savings rate exceeds the original estimate by approximately $2 million. (Initial projections 6.3 million.) (Current projections 8.7 million.)

Each year has resulted in an underrun of the estimated cost.

Cost growth due to inflation has been held below the national inflation rate. First year increases appear higher because base data was two years old and first "year" was actually one month due to appeals and other delays.

The contractor has not requested or been granted any increase in estimated cost for specified work.

The Government contract administration cost has gone down from 3.8 percent during the first year of operation to 3.6 percent currently. The residual staff represents approximately 3 percent of the contracted work force.

We believe this type contract is a significant factor in achieving cost control. Approximately 40 percent of the award fee is devoted to factors which control costs.

The contractor must demonstrate efficient cost control to achieve this fee. The contractor is in a position where his best interests are to vigorously pursue the government's best interest. The results to date verify that this procedure is effective.

Gentlemen, this concludes my statement.

CHART 1.—*The Fort Gordon Support Mission*[1]

Size—86.74 square miles.

Student population: Minimum monthly—9,000, maximum monthly—12,000.

Military population average—18,000.

Number of courses—90-100.

Meals served annually—5 to 6 million.

Food handled by TISA—$8.5 to $9 million.

Requisitions processed annually—214,000.

Housing units: Bachelor 852; Family 877.

Billeting and quarters transactions—10,000.

Personnel moved—54,000.

Pieces of laundry processed—4 million.

CHART 2.—*Missions Contracted*

MAINTENANCE

Vehicles; electronics; weapons; office equipment; family quarters; and communications security equipment.

SUPPLY

Food; fuel; clothing; equipment; repair parts; overall management; ammunition; and general supplies except medical.

TRANSPORTATION

Motor pool; household goods; troops movement; travel; and general cargo transportation and management.

SERVICES

Housing; laundry; food service; bachelor quarters; and clothing sales.

CHART 3.—*Contract Characteristics*

Contract type—Cost plus award fee.

Fee—Award maximum 2.44 percent of estimated cost based on a unilateral determination by the Government not subject to the disputes clause.

Property—All property and materials required are furnished by the Government.

CHART 4.—SMALL BUSINESS

	Fiscal year 1980 (percent)		Dollars	Fiscal Year 1981 (percent)		Dollars
	Goal	Actual		Goal	Actual	
Small business	6.9	9.7	$167,422	9.0	9.3	$1,064,144
Small disadvantaged business	61.0	64.5	529,984	60.0	63.0	7,966,767
Total small and disadvantaged businesses	67.9	74.2	697,406	69.0	71.0	9,030,911
Estimated total subcontracts and purchases			807,934			12,735,142
Small business	6.0	15.4	1,981,335	6.7		897,676
Small disadvantaged business	60.0	52.0	6,673,338	57.4		7,690,536
Total small and disadvantaged businesses	66.0	67.4	8,654,673	64.1		8,588,212
Estimated total subcontracts and purchases			12,849,773			13,398,146

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[1] Figures are representative of several years of operations.

CHART 5.—*Summary of fiscal year 1981 escalation*

	Amount
Fiscal year 1979 bid analysis to 12 months	$17,817,573
Fiscal year 1981 cost proposal	21,576,459
Overall increase	3,758,886
Analysis of increase:	
Nonnegotiable	3,689,759
Negotiable	69,030
Total	3,758,786

CHART 6.—*Summary of fiscal year 1982 escalation*

	Amount
Fiscal year 1981 estimated cost	$21,576,459
Fiscal year 1981 negotiated increases	1,128,177
Revised 1981 estimated cost	22,704,636
Fiscal year 1982 estimated cost	24,508,038
Overall increase	1,803,402
Analysis of increase:	
Nonnegotiable	1,060,720
Negotiable	742,682
Total	1,803,402

CHART 7.—*Summary of fiscal year 1983 escalation*

	Amount
Fiscal year 1982 estimated cost	$24,508,038
Fiscal year 1982 negotiated decreases	910,698
Revised fiscal year 1982 estimated cost	23,597,340
Fiscal year 1983 estimated cost	25,120,871
Overall increase	1,523,531
Analysis of increase	1,290,916
Nonnegotiable	232,615
Total	1,523,531

A-76 CIRCULAR CHANGES

Mr. **Principi**. In your opinion, Colonel, what changes should be made to the A-76 circular to improve the program, or what recommendations can you and Captain Kinert provide to the committee in this regard?

Colonel **Bush**. The greatest problem that we are experiencing is the start and stop of the process. We are full-bore and then all of a sudden there is some sort of a hold put on. There is a change in policy.

This is very difficult on the civil service employees; it is difficult for the people who are trying to work the program. It makes it very difficult to have an orderly transition from a government to a contract work force, or to just have the study and perhaps stay in-house while they reorganize the Government work force—which is always a possibility.

But we need to go along step by step. The employees are held in limbo for years. I can best illustrate this by an employee who came up to me when we were on about our fourth or fifth hold. He said, "I have to have a new car and I do not know whether to buy it or not because I do not know what is going to be happening." There is a tremendous impact on the people.

Mr. PRINCIPI. Captain.

Captain KINERT. The only additional comments I have agree with Colonel Bush's comments. We have to know what we can expect is the A-76 guidelines and then stay with it for a while.

I think not knowing is perhaps worse than anything else that can happen to the people that you are working with. They have to know what to expect and there has to be some confidence that these guidelines are going to be in force for a while. I think people will adjust to it, live with it, and accept it.

NUMBER OF EMPLOYEES INVOLVED

Mr. PRINCIPI. How many employees are involved in each of your contracts, and how many were involved prior to your conversion?

Captain KINERT. I have 1,200 contractor personnel, which is down from about 1,300 in the preceding years due to streamlining, improved efficiency of management, and the contract recompetition process.

Since we are a new start there were zero civil service personnel replaced. This was new start from scratch. Cost studies indicated it was more practical and efficient to contract-out.

Mr. PRINCIPI. How many civil service employees are on the base?

Captain KINERT. I have 395 right now under my administration. However, due to shifting of medical people that is programed and a reduction in manning level, I should be down to 371 by fiscal year 1984, I believe.

Mr. PRINCIPI. Colonel Bush.

Colonel BUSH. The contractor work force at Gordon fluctuates rather dramatically because the post population fluctuates. It runs somewhere around 1,100 people. With opening and closing dining facilities we may vary from 11 to 21 dining facilities. So, that has a radical effect on the contractor's work force. But it is around 1,100 people. We had about 1,400 people in-house.

Mr. PRINCIPI. In your opinion, are there any types of functions which under no circumstances should be contracted-out?

Colonel BUSH. We have not contracted-out the policymaking functions on the installation. We maintain in place the Government staff that existed before that makes the policy decision on what we are going to do, when, where, and how.

This I do not believe should be contracted. We have dual-hatted these people so they serve both in a contract administration and a policymaking role. So, it is cost effective and efficient.

Our administration costs are running only about 3.6 percent of the contract. Residual staff is only around 3 percent. But we maintain that authority and that has a radical effect on the amount of cost of operations by making the proper management decisions.

So, that sort of thing should not be contracted-out.

Captain KINERT. Some functions that definitely should not be contracted in my view are those personnel that administer or manage the contract, otherwise Government interests could be lost. The internal audit people who also further self-check both my personnel and the contractor, I think, are required for efficient operation.

Additionally, the comptroller who has the control of the Government funds, I think that is purely a Government function and I would hate to see that contracted out. I might be convinced but I am not so sure.

I think the protection of nuclear weapons at this time is a function that has been identified as purely a Government function, as is the working on naval reactor propulsion plants. There are certain military functions which are purely governmental in nature.

Mr. PRINCIPI. Do you have an input into what should be and should not be contracted-out?

Captain KINERT. No, not directly, sir.

Mr. PRINCIPI. Should you have an input?

Captain KINERT. I believe in one instance I am presently having an input with respect to whether or not contracting-out of all the family services positions should be required. The finding at the present time is that it is contractible. I am in rebuttal right now and I am not sure how that is going to turn out.

I do have an input in those matters.

Mr. PRINCIPI. Gentlemen, that is all I have. The chairman asked me to express his thanks and his apologies—another vote.

I think your testimony will be most helpful to the committee in its deliberations this year. Again, thank you.

Captain KINERT. Thank you.

Colonel BUSH. Thank you.

Mr. PRINCIPI. Mr. Donald Sowle, the Administrator of the Federal Procurement Policy, Office of Management and Budget, could not be here today due to schedule conflicts. The chairman has requested that his prepared statement be inserted in the hearing record. Without objection, the prepared statement will be inserted in the record at this point.

[The prepared statement of Donald Sowle follows:]

PREPARED STATEMENT OF DONALD E. SOWLE, ADMINISTRATOR, OFFICE OF FEDERAL PROCUREMENT POLICY, OFFICE OF MANAGEMENT AND BUDGET

Mr. Chairman, Members of the Subcommittee: I appreciate this opportunity to discuss OMB Circular No. A-76, titled: "Performance of Commercial Activities."

My prepared statement will focus on four major topics: (1) what the A-76 program is; (2) why we have revised A-76; (3) some of the misconceptions about the A-76 program; and (4) how we are endeavoring to better communicate the true intent of A-76 to all those affected.

As you know, Mr. Chairman, this program has been in effect since 1955, and its main objective is to maximize the effectiveness by which commercial activities are performed for the Federal agencies.

WHAT IS THE A-76 PROGRAM?

OMB Circular No. A-76 applies to commercial activities which can be performed by either Government employees or the private sector. Commercial activities required for national defense readiness are exempt from A-76.

The policy is intended to assure that, through the forces of competition, the American taxpayer is getting fair value for his tax dollar.

The heart of the A-76 process is the cost comparison study. This is the analysis of costs of performance by contract, compared to the cost of Government performance. Decisions to continue in-house operation of commercial activities or to change the mode of performance to contract or vice versa are based upon the results of the cost comparison study. The A-76 cost study is intended to foster competition, not only among private sector firms competing for Government business, but by Government activities competing with the private sector.

ESTIMATED SAVINGS FROM A-76 IMPLEMENTATION

The Government currently operates thousands of commercial activities involving about 400,000 Government employees with an estimated annual operating cost of about $20 billion.

Of the $20 billion worth of commercial activities, $14 billion are exempted from A-76 because they are needed for national defense readiness purposes. They are primarily operated by the Department of Defense. Of the remaining $6 billion eligible for cost studies, about $4 billion are operated by the Defense Department, and the remaining $2 billion are operated by civilian agencies.

The majority of the $6 billion have not been cost studied. Once they are we estimate the Government will achieve a 5-year cumulative savings by 1987 or $5 billion, whether the work remains in-house or is preformed by contract. Savings of over $1 billion annually would continue after fiscal year 1987.

These estimates are based upon past experience in the program and have been generally confirmed in independent assessments by the Congressional Budget Office.

In view of these potential savings, Mr. Chairman, the Administration is dedicated to aggressive implementation of OMB Circular A-76.

WHY REVISE THE CIRCULAR?

The 1979 version of the Circular contained the first standardized cost comparison procedure. During the three-year period following its assuance agencies' operating experience indicated a need for various refinements and simplifications.

Accordingly, late in 1981, OMB Director Stockman announced at a Joint Economic Committee hearing that OMB would begin a comprehensive re-examination of that cost comparison methodology to streamline it and make it as efficient as possible. A task group met under OFPP leadership to develop changes to the A-76 Circular and the Cost Comparison Handbook. The task group had strong representation from the Department of Defense as well as representatives from the Office of Personnel Management, the Department of Transportation, the Department of Agriculture, the Treasury Department, General Services Administration, the Veterans Administration and the Department of Health and Human Services.

The task group considered the lessons learned from three years of A-76 experience by DOD under the 1979 Circular. They worked to develop revisions to the A-76 process that would facilitate better understanding of the procedures, streamline the cost comparison methodology, and ensure equity. Once these proposed revisions were completed, they were released for a 60-day formal comment period. We are now approaching the end of this formal comment period and will now thoroughly review and consider all comments in drafting the final revision. In addition to soliciting written comments, we have met with members of Congress and their staffs, industry groups, employee unions, and Government agencies. We also held a public hearing earlier this month attended by several interested groups.

MISCONCEPTIONS ABOUT THE A-76 PROGRAM

With your indulgence, Mr. Chairman, I would now like to review some of the misunderstandings surrounnding the A-76 program that have caused confusion, and controversy and perhaps unnecessarily impeded its implementation.

A-76 and Personnel Ceilings.—Some have expressed concern that A-76 is a "Backdoor" way for the Administration to reduce personnel levels. I cannot emphasize too strongly that this assumption is incorrect. Budgetary pressures to reduce costs and personnel levels are a fact of life and are going to occur from time to time, with or without A-76. In fact, if personnel reductions are required because of budgetary constraints, we believe that the prescribed cost comparison procedures in A-76 give agency managers a way to reduce costs in a planned, orderly manner, while maintaining the same (or better) level of services.

We also believe that this misconception may have been reinforced by the past practice of withdrawing personnel spaces during the budget process in anticipation of the completion of planned cost comparison studies in the Department of Defense. We have discontinued this practice in response to the Congressional concern. We described this new Policy in a February 3, 1983, letter to the House Armed Services Subcommittee on Military Personnel and Compensation. With the Chairman's permission, I would like to have this letter entered into the record.

A-76 and Contracting-Out.—We have often heard A-76 called A "contracting-out program." Although A contract may be the outcome of an A-76 cost study, it is not preselected. Our principal concern is not whether the Government or the private sector performs a commercial activity. In fact, 50% of all activities cost studied continued to be performed by Government employees because this was the most economical method. Our principle concern is that whoever performs the work does so satisfactorily and at the least total cost.

We also recognize that our proposed deadline of September 1984 for full A-76 implementation is optimistic, and may place some stress on agencies to accelerate the commercial activities program without regard to economy. This is not the intent of the A-76 program. Accordingly, we have indicated our willingness to work with the agencies to tailor an A-76 program implementation period that will meet their needs. We are already holding discussions with the Department of Defense on this matter.

Contracted Commercial Activities.—Another misconception about the A-76 program is that once an activity is contracted out, it can never be reviewed for possible in-house performance. In the March 1979 Circular, as well as the proposed revision, we have included a provision to allow cost comparisons in those instances where the prices for private sector provision of services has become less attractive, and in-house performance appears feasible. In fact, a management review of price and performance should, as a minimum, be conducted each time the contract is scheduled for renewal.

Strikes.—Mr. Chairman, we frequently hear opponents of A-76 claim that the contractors' strikes have crippled Government operations. Available evidence does not bear this out. We know of only two strikes by contractor employees, and in both cases, contingency plans proved effective. However, we certainly maintain that the contractor should be held accountable for strikes, and the proposed revision requires strike contingency plans be included in all contracts.

We have examined some examples of contractor strike contingency plans and have found them to be exhaustive to the point of listing names, addresses and phone numbers of personnel immediately available to ensure continuity of contract performance in the event of a strike.

A-76 and Defense Readiness.—We share your concerns, that under no circumstances should the issues of economy which are embodied in the A-76 program interfere with the most important goal of ensuring the integrity of our national defense.

Mr. Chairman, we want to further assure the Committee that the revision provides the Department of Defense the authority to ensure that no commercial activity necessary for military readiness is contracted out.

We have not closed the door to further refinements to the revision and are eager to meet with anyone or any group that has unresolved concerns or constructive recommendations. I am sure you are aware, Mr. Stockman solicited comments on the proposed revision to OMB Circular A-76 from each Member of the Committee as well as from over a hundred members of the Senate and the House. During the past two months, we have also met with Federal employee unions and industry associations, and have participated in scores of symposia, meetings and panels for those interested in, and affected by A-76.

In summary, let me state that we are dedicated to developing a balanced, fair and equitable program to ensure the most efficient use of the agencies' resources. To achieve this, we believe the revision must be written to balance the various interests of agencies, industry associations, employee unions, and the taxpayer. We believe the proposed revision achieves that balance.

Mr. Chairman, this concludes my prepared statement. I will be pleased to respond to any questions the Committee may have.

Mr. **Principi.** Senator Thurmond has submitted questions to be answered for the hearing.

[The questions, with answers supplied, follow:]

Questions Submitted by Senator Strom Thurmond

CONTRACTING OUT

Senator **Thurmond.** Mr. Calhoun, the subject of contracting-out is a very emotional subject despite government assurances that displaced personnel must be given priority for jobs in the private sector. In those areas where contracts for certain services have been given to the private sector, how many people "actually" lost their jobs, and how many were hired by private firms?

Mr. CALHOUN. Senator Thurmond, we are concerned about our employees. The A-76 process involves competition between streamlined in-house activities and potential contractors. And it includes an advantage of 10 percent of personnel costs in favor of the government employee. Although detailed records are not maintained on how many people lost their jobs and how many people were hired by the contractor, I understand that it is rare that an employee is left jobless. The reason is that the base usually freezes hiring in anticipation of an award so that any displaced employee can be utilized in another area.

All federal employees who are displaced have priority placement rights. Beyond that, they have the right of first refusal for jobs with a winning contractor. Let me give you some representative examples:

At Fort Gordon, Georgia, 751 civilian positions were given up because a contractor successfully bid on the activity. Only 16 were involuntarily separated from government service. The contractor hired 380 government employees who had been affected by the reduction in force.

At Warner-Robbins Air Force Base, 160 positions were affected by a decision to convert to contract. All 160 employees remained at the base, assigned to appropriate work that had been deferred.

These policies and examples seem to me to give evidence of our concern for our employees.

SAVINGS IN CONTRACTING OUT

Senator THURMOND. Mr. Calhoun, the savings that you outlined in your prepared statement are outstanding. I am concerned, however, with the additional savings that could have been realized. What is the additional cost to the taxpayers brought on by congressional restraints in contracting-out for fiscal year 1983?

Mr. CALHOUN. The restraints brought on by Congressional action for fiscal year 1983 can be defined in two ways:

1. Lost savings to the Government by placing a moratorium on the contracting of firefighting and security guard services. The Navy reports that 17 firefighting and security guard functions were identified to be converted to contract operation, all 17 were canceled and the anticipated annual savings of $5,012,000 has been lost.

2. The prohibition on commencing new studies for the first six months of fiscal year 1983 may result in some lost savings. The exact amount is unknown. The average time required to conduct a cost study for a single activity is 20 months; a multiple/complex activity 31 months. Since there are only 18 months remaining prior to end of fiscal year 1984, it is highly unlikely that even any single activities in the fiscal year 1984 program will be completed by end of fiscal year 1984. Approximately half of all A-76 studies result in conversion to contract and a savings of at least 10 percent of personnel related costs. The savings that would have resulted, had this prohibition not inhibited the normal process, will have to be deferred.

DISCRIMINATION AGAINST SMALL BUSINESSES

Senator THURMOND. It has been brought to my attention that numerous minority-owned small businesses are being discriminated against because of congressional action in this area. Mr. Calhoun, could you provide for the record a list of minority-owned small businesses that are hurt by congressional prohibitions on contracting-out?

Mr. CALHOUN. Our records do not indicate any specific financial injuries to minority-owned small business contractors as a result of the congressional prohibitions on A-76 contracting. However, the imposition of any prohibition against contracting will deprive small and minority business of contracting opportunities. Since minority-owned small business contractors act as both prime contractors under the section 8(a) program and as subcontractors on larger contracts, the prohibitions had a two-fold impact on these contractors.

The 1-year congressional moratorium on entering any new contracts for firefighting and security guard services has not resulted in the cancellation of any minority-owned small business contracts; however, the Navy reports nine proposed contracts to small business contractors were not awarded. This action was not only a hardship for those firms, but it also denied the Government estimated annual savings of $2,469,000.

COMPETITION FOR CONTRACTS

Senator **Thurmond**. One of the primary benefits of contracting-out is that small businesses can compete for such contracts. Obviously, large businesses are in a better financial position to offer lower bids and receive more contracts. I note that Mr. Thayer has directed formulation of a policy memorandum that would "encourage" large businesses to subcontract more functions to small businesses.

Mr. Calhoun, would the Administration support Congressional action requiring that subcontracting be utilized to the maximum extent possible?

Mr. **Calhoun**. On June 1, 1982, Mr. Carlucci issued a policy memorandum to the Services on consolidations of commercial activities and small business. The purpose was to help accomplish our twin goals of saving money through competition and getting more work into the small business sector. Since that policy was put into effect, there appears to have been a significant reduction in the number of functions being competed, both in the big business and small business sectors. Mr. Thayer is reevaluating the situation to see if we can improve the process to achieve both goals.

I believe we can do that by allowing the Services the flexibility to conduct large consolidation studies when appropriate, as long as they result in more subcontracting to small and minority businesses. Our current acquisition regulations allow us to do that. By allocating source selection evaluation points to offerors on the basis of their subcontracting plans, offerors are given a compelling incentive to develop responsive subcontracting plans. The Army has used this technique successfully at Fort Gordon, where 53 percent of the total prime contract has been subcontracted to small and minority businesses. I believe Congressional action on this issue is unnecessary.

Mr. **Principi**. The subcommittee is adjourned.

[Whereupon, at 4:10 p.m., the subcommittee adjourned, to reconvene subject to the call of the Chair.]

DEPARTMENT OF DEFENSE AUTHORIZATION FOR APPROPRIATIONS FOR FISCAL YEAR 1984

THURSDAY, APRIL 7, 1983

U.S. Senate,
Subcommittee on Manpower and Personnel,
Committee on Armed Services,
Washington, D.C.

MILITARY COMPENSATION

The subcommittee met in open session, pursuant to notice, at 1:33 p.m. in room SR-232A, Russell Senate Office Building, Senator Roger W. Jepsen (chairman) presiding.

Present: Senator Jepsen.

Staff present: Anthony J. Principi, counsel; Richard D. Finn, George K. Johnson, Jr., David S. Lyles, professional staff members; Mary Kampo, staff assistant.

Also present: Ron Kelly, assistant to Senator Humphrey; Jim Dykstra, assistant to Senator Cohen; Don Silcott, assistant to Senator Jepsen; Kathleen Callahan, assistant to Senator Bingaman.

OPENING STATEMENT BY SENATOR ROGER W. JEPSEN, CHAIRMAN

Senator Jepsen. The Manpower and Personnel Subcommittee convenes this afternoon for its final hearing on the fiscal year 1984 Defense Department manpower request. Today's meeting will address the issue of military compensation.

Since last year's authorization hearings, military compensation has again become a source of controversy. After the October 1982 pay raise was capped at 4 percent, the administration recommended that the military personnel receive no raise at all in fiscal year 1984. Moreover, our soldiers, our sailors, airmen, and Marines are more uncertain than ever how their future pay raises will be determined. Finally, the administration's budget request assumes that certain dramatic changes will be made in the military retirement system.

I believe that we are fortunate to be able to debate these issues while recruiting and retention continue at such high levels. However, an improving economy, future demographic constraints, and growing defense requirements make it imperative that we resolve our differences and settle on a fair and effective system of military compensation, certainly one that career military people can plan on, and about, and around. I hope that meetings like this one today will encourage this process.

I would like to welcome our witnesses to this afternoon's hearing. Dr. Lawrence Korb, the Assistant Secretary of Defense for Manpower, Reserve Affairs, and Logistics will be our first witness. After Dr. Korb has presented his statement and answered questions, the subcommittee will hear testimony from a panel of service representatives:

Maj. Gen. John Mitchell, the Director of Human Resources Development in the Army;

Rear Adm. A. J. Herberger, the Director of Military Personnel Policy Division of the Navy;

Brig. Gen. A. Lukeman, the Director of the Manpower Plans and Policy Division in the Marine Corps; and

Maj. Gen. K. L. Peek, Jr., the Director of Personnel Plans in the Air Force.

We welcome all of you. We will have two more groups of witnesses from the General Accounting Office, the Congressional Budget Office, and public associations will then conclude this hearing.

Dr. Korb, you are the first of many this afternoon. You may proceed with your oral presentation. Your written statement, as always, will be entered into the record as if read; you can count on that. So, you may proceed.

STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE FOR MANPOWER, RESERVE AFFAIRS AND LOGISTICS

Dr. Korb. Thank you very much, Mr. Chairman. I appreciate the opportunity to appear before the committee to discuss and, as you indicated in your statement, to debate the vitally important areas of military compensation and personnel.

I am also pleased that this is your last hearing because this is my third time up before you in this session.

I am pleased to note, as I have on previous occasions, the dramatic turnaround in recruiting and retention which began in 1980 and is continuing into 1983. All of the services are meeting or exceeding their recruiting goals and retention is holding up as well. We are still experiencing shortfalls in some skills but we believe with a judicious application of reenlistment bonuses we will continue to show steady improvement.

I would like to express my appreciation to the Congress and particularly this subcommittee and you personally for the expeditious action you took in extending the bonus authority. The bonus program is the most cost-effective tool we have to retain personnel with critical skills. They are vital to the successful manning of an experienced and qualified career force.

As you mentioned in your statement, the President has proposed in the fiscal 1984 budget that military personnel, along with Federal civilians, not receive the annual pay raise this October.

As the President said in his state of the Union address and as the Secretary of Defense has reiterated repeatedly, this administration regrets that it was necessary to include active duty military personnel in the Government-wide program to delay or delete automatic entitlement increases in fiscal year 1984. However, it was the

President's decision that in the interest of fairness no group should be exempt.

As you know, the Secretary of Defense intends to recommend that this sacrifice by military personnel in fiscal year 1984 be recognized by a substantial pay increase in fiscal year 1985. We realize that elimination of the military pay raise entails some risk to recruiting and retention but we are hopeful that, given the universal nature of the freeze on entitlements, our military personnel will understand and no serious damage will be done to our recruiting and retention objectives. If this proves not to be the case, we will not hesitate to ask the Congress to take appropriate action.

Senator **Jepsen**. Excuse me, Dr. Korb. I know sometimes we finish completely before questions but I would like just for the record to keep this in the same location, this question.

SUBSTANTIAL PAY INCREASE

What do you mean by a "substantial pay increase" in fiscal year 1985?

Dr. **Korb**. Well, essentially what we mean is that the Department will look at the amount of raise that military people should have gotten in 1984, based upon what happens to wages in the private sector; make an estimate of what we expect to happen to comparable wages in the private sector in 1985, take a combination of those and recommend to the President that that be the size of the raise.

As I pointed out in previous testimony, there is a legislative contingency set aside in the 1985 budget to accommodate a raise that would take into account what we expect to happen to wages in the private sector in 1984 and 1985.

Senator **Jepsen**. What is that that you expect to happen?

Dr. **Korb**. Well, based upon what we know right now, I would guess it would be between 10 and 11 percent. But if the President's program to bring down inflation continues to be as successful, obviously it may be less.

Senator **Jepsen**. Is that 10 or 11 percent for the year?

Dr. **Korb**. For fiscal year 1985.

Senator **Jepsen**. Fiscal year 1985. That will be a 10- or 11-percent total that you will be looking at. Are you looking at a 22-percent pay raise?

Dr. **Korb**. No, sir. It would be a one-time raise in 1985 which would make up for 1984. In other words, our military personnel would suffer the loss of the raise for only 1 year and it would then be made up in 1985.

Senator **Jepsen**. Thank you.

Dr. **Korb**. Moving to another subject and somewhat related to this, we plan to submit legislation which could sever the current linkage between military and civilian pay raises and would instead use annual changes in the Employment Cost Index as a gauge for setting military pay raises for military people.

The legislation will contain an alternative plan authority which we would use for the pay raise freeze this October and for the makeup pay raise in 1985. Even though we would not propose to link a military pay raise directly to the annual increase in the ECI until 1986, we believe that legislation severing the linkage between military and civilian pay raises should not be delayed.

In 1984 we are preparing five legislative initiatives to enhance the military benefits package. These are:

One, a dependent student travel program which would provide travel and transportation entitlements to student dependents of military personnel assigned overseas. The program would allow one annual Government-funded round trip when dependent students remain in Conus to attend a secondary school or college as an undergraduate.

Two, entitlement to a second dislocation allowance when unusual circumstances cause members to relocate their household twice during a single PCS move.

Three, funding for storage of motor vehicles when shipment overseas is restricted.

Four, funding for additional round trip transportation, when ship is in an overhaul, between homeport and the overhaul site.

Five, a nuclear college program to pay for books, fees, and tuition for the 2-year nuclear propulsion officer candidate program and similar payments for a 4-year program for active duty enlisted personnel who will enter officer nuclear power training.

We will also be submitting two legislative proposals relating to the variable housing allowance—or VHA—program which will lower personnel costs. The first, in conformance with the President's decision to delay or delete entitlement increases, will freeze VHA rates in fiscal 1984 at their fiscal 1983 levels. The second will eliminate entitlement to VHA for reservists who are called to active duty for a period of less than 140 days.

In addition to the legislative proposals, we have included funding in the fiscal year 1984 budget which would allow us to implement the temporary lodging expense—or the TLE—allowance first authorized in the Uniformed Services Pay Act of 1981. Congress has thus far not provided any appropriations for it. Failure to fund the TLE continues to impose a financial hardship on military personnel who must pay out of their own pocket the subsistence and temporary quarters expenses incident to a permanent change-of-station move.

GI BILL

I also urge the subcommittee to support extension of the 1989 termination date for the current GI bill. Unless this is done, we may lose valuable experienced personnel who will leave service in order to use their GI benefits.

Senator **Jepsen**. Excuse me a minute, if I may. You know, the Congressional Budget Office along this line has testified before the Senate Veterans' Affairs Committee that only 1,300 of the 220,000 eligible servicemen can be expected to leave the military in order to use their GI bill benefits before 1989.

Now, what is your estimate of the number of premature losses?

Dr. **Korb**. Well, I think our estimate is a little bit higher than the estimate you have just read. But that is not the key point. The key point is the matter of equity here. We have young men and young women who came into the service when the GI bill was in effect.

What we are saying is that we should not penalize them for making the service a career by denying this benefit to them. I would say that even if nobody left, that we ought to allow them to use this when they finish their service because when they came in they were given this particular benefit.

We feel so strongly about the equity aspect of this particular provision that, as I mentioned in my testimony before the Veterans' Committee, we would be willing to absorb this cost in the defense budget.

Senator JEPSEN. That was my next question. I want to make sure I heard you correctly. You support the extension of the 1989 termination date. You would be willing to find the money for the benefits that were used after 1989 in the defense budget.

Dr. KORB. That is correct.

Senator JEPSEN. Do you have an estimation of how much that might cost?

Dr. KORB. Well, again the key thing is the usage rate. We really do not know exactly how many people would use it. We can make some estimates. But that is not the key point. I think the key point here is, we have young men and young women who have a benefit and we want to give them the opportunity to use it.

We feel so strongly about this that we are willing to pay the costs, whatever they may be.

Senator JEPSEN. They were promised that benefit when they went in the service?

Dr. KORB. That is correct.

Senator JEPSEN. And because they elected to stay in the service and make a career of the service you are saying they should not therefore be penalized by losing those benefits because of a termination date that was set for those who get out of the service and have a certain amount of time to use it.

Dr. KORB. That is correct, Mr. Chairman. You put it much better than I could have.

Senator JEPSEN. Proceed.

Dr. KORB. Finally, we have submitted comprehensive flag and general officer legislation that would permit improved management in this area. We ask your early consideration of the proposed legislation. In the interim, we request that you continue the authority for the Navy to exceed its three-star flag officer grade ceiling by three and authorize the Department a flag and general officer strength ceiling of 1,100. These interim measures would be consistent with actions taken by this subcommittee last year.

Mr. Chairman, that concludes my prepared statement. I will be pleased to answer any questions you may have at this time.

[The prepared statement of Dr. Lawrence Korb follows:]

PREPARED STATEMENT OF HON. LAWRENCE J. KORB, ASSISTANT SECRETARY OF DEFENSE (MRA&L)

Mr. Chairman, I appreciate this opportunity to appear before the Committee to discuss the vitally important areas of military compensation and personnel.

I am pleased to note that the dramatic turnaround in recruiting and retention which began in 1980 is continuing into fiscal year 1983. All of the Services are meeting or exceeding their recruiting goals, and retention is holding up well. We are still experiencing shortfalls in some skills, but with a judicious application of reenlistment bonuses, I believe we will continue to show steady improvement. In this regard, I want to express my appreciation to the Congress, and particularly this subcommittee, for the expeditious action you took in extending the bonus authority. The bonus program is the most cost-effective tool we have to retain personnel with critical skills. Bonuses are vital to the successful manning of an experienced and qualified career force.

On the subject of pay, the President has proposed in the fiscal year 1984 budget that military personnel, along with federal civilians, not receive the annual pay raise this October. As the President said in his State of the Union address, and as the Secretary of Defense has reiterated repeatedly, this Administration regrets that it was necessary to include active duty military personnel in the government-wide program to delay or delete automatic entitlement increases in fiscal year 1984. However, it was the President's decision that, in the interest of fairness, no group should be exempt.

The Secretary of Defense intends to recommend that this sacrifice by military personnel in fiscal year 1984 be recognized by a substantial pay increase in fiscal year 1985. We realize that elimination of the military pay raise entails some risk to recruiting and retention but we are hopeful that, given the universal nature of the freeze on entitlements, military personnel will understand and no serious damage will be done to our recruiting and retention objectives. If this proves not to be the case, we will not hesitate to ask the Congress to take appropriate action.

We plan to submit legislation in the near future which would sever the current linkage between military and federal civilian pay raises and would instead use annual changes in the Employment Cost Index (ECI) as a gauge for setting pay raises for military people. The legislation will contain an alternative plan authority which we would use for the pay raise freeze this October and for the make-up pay raise in fiscal year 1985. Even though we would not propose to link a military pay raise directly to the annual increase in the ECI until fiscal year 1986, we believe that legislation severing the linkage between military and federal civilian pay raises should not be delayed.

In fiscal year 1984 we are preparing five legislative initiatives to enhance the military benefits package. These are:

(1) A dependent student travel program which would provide travel and transportation entitlements to student dependents of military personnel assigned overseas. The program would allow one annual government-funded round trip when dependent students remain in CONUS to attend a secondary school or college as an undergraduate.

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(3) Funding for storage of motor vehicles when shipment overseas is restricted.

(4) Funding for additional round trip transportation, when ship is in overhaul, between homeport and the overhaul site.

(5) A Nuclear College program to pay for books, fees, and tuition for the two-year Nuclear Propulsion Officer Candidate Program and similar payments for a four-year program for active duty enlisted personnel who will enter officer nuclear power training.

We will also be submitting two legislative proposals relating to the Variable Housing Allowance (VHA) program which will lower personnel costs. The first, in conformance with the President's decision to delay or delete entitlement increases, will freeze VHA rates in fiscal year 1984 at the fiscal year 1983 levels. The second will eliminate entitlement to VHA for reservists who are called to active duty for a period of less than 140 days.

In addition to the legislative proposals, we have included funding in the fiscal year 1984 budget which would allow us to implement the Temporary Lodging Expense (TLE) allowance first authorized in the Uniformed Services Pay Act of 1981. Congress has thus far not provided any appropriations for it. Failure to fund the TLE continues to impose a financial hardship on military personnel who must pay out of their own pocket the subsistence and temporary quarters expenses incident to a PCS move.

I also urge the subcommittee to support extension of the 1989 termination date for the current GI Bill. Unless this is done, we may lose valuable experienced personnel who will leave service in order to use their GI benefits.

Finally, we have submitted comprehensive flag and general officer legislation that would permit improved management in this area. We ask your early consideration of the proposed legislation. In the interim, we request that you continue the authority for the Navy to exceed its three-star flag officer grade ceiling by three and authorize the Department a flag and general officer strength ceiling of 1,100. These interim measures would be consistent with actions taken by this subcommittee last year.

Mr. Chairman, that concludes my prepared statement. I will be pleased to answer any questions you may have at this time.

ADJUSTING MILITARY RETIRED PAY

Senator Jepsen. I have several questions, Dr. Korb. One is, the administration's proposal to permanently adjust the military retired pay for retirees under the age of 62 by only one-half the cost-of-living adjustment has generated a great deal of controversy. I understand that the administration is somewhat divided themselves on this issue.

What is the current status of that particular proposal?

Dr. Korb. As you know, Mr. Chairman, the action to cut the COLA increases in half for people under 62 was first proposed by the Congress last year for a 3-year period.

Senator Jepsen. The Congress first recommended it?

Dr. Korb. That is correct.

Senator Jepsen. Do you remember particularly, was it a committee, was it a resolution?

Dr. Korb. It was contained in the Omnibus Budget Reconciliation Act, 1982. It is my understanding that the feature was proposed by the Senate Committee on Government Operations during the conference on the act, and accepted. Because of cross-references in the law, the limitation applied to military retired pay, as well as civil service pensions.

Senator Jepsen. Is the administration actually going to submit this to Congress this year?

Dr. Korb. Well, as you know, any proposal within the administration must be staffed by the appropriate agencies. Remember that the provision as proposed by the Senate and as discussed in the President's budget this year applies Government-wide. It is not directed at military people. It is for all Government retirees under the age of 62.

The language in the President's budget discusses the fact that this would be made permanent, this congressional initiative.

Senator Jepsen. You know, 80 percent of what you are talking about is military.

Dr. Korb. That is correct because military members are retired at a much younger age than civilian Government employees.

Senator Jepsen. There is where the big bulk of impact is going to be.

Dr. Korb. That is correct. The large amount of savings, the greatest amount of savings, would come from the military retirement.

Senator Jepsen. Is that going to affect retention?

Dr. Korb. Well, it is a little difficult to say. The key thing on whether it will affect retention is what happens to inflation. If this legislation should be staffed throughout the administration and proposed by the President, then the impact would depend upon exactly what the inflation rate is.

If we return to the ruinous inflation rates of the 1970's, very high inflation rates, half a COLA will cost people much more than if we continue the current low inflation rates.

For example, if the President's program should continue to be supported by the Congress and we can keep inflation rates at about the 3-percent level, then you are talking about only a 1½ percentage point loss per year. The impact on the individual would be much greater with, say, an 8- or 10-percent inflation rate.

For example, if the CPI should increase by 8 percent a year, the loss to a person with 20 years of service, for an enlisted person, could be a little over 50 percent. But if the inflation rate or CPI is 5 percent, the loss in lifetime retired pay for a person retiring after 20 years would drop to about 36 percent.

So, the key impact in terms of retention will be on what the Congress and the administration do about inflation. Again, that is how we would have to make our projections.

But I do want to stress that, as with any proposal, before any proposal is submitted to the Congress by the administration, it is staffed throughout the Government. Agencies are allowed to comment on it. After receiving those comments, the President then makes a final determination before submitting the legislation to the Congress.

CAREER PLANNING

Senator **JEPSEN**. Of course, in the area of career planning—and I emphasize this as I did when we talked about targeting a couple of years ago—the fact that the compression ratio had declined to 8 to 1, 7 to 1, 3 to 1, and all of the things that we had in the entire benefit program, one of the things that always is necessary for people to decide to stay or to remain—whether it be in private industry or a career in the military and so on—is having a benefit program that is properly communicated and properly understood, and also has some stability to it.

So that when we start talking now about the change in the retirement benefits for those under age 62, I think the approach should certainly include the serious effect that it may have on the overall option or opportunity for the military as a career and should be presented and looked at on that basis. It is a dramatic change, more than some who are advocating it may realize.

Dr. **KORB**. Mr. Chairman, I think it is important on that subject to point out that over the last 20 years there have been numerous proposals made to change the retirement system. Some have been very radical, some have been very minor.

None of these proposals, none of the major proposals, has ever been enacted. Obviously, this does create a certain amount of uncertainty among people.

It is very hard to predict in advance what the impact would be. For example, if this congressionally-suggested limitation should become permanent, one might for example say that it is better not to get out at 20 years because if we had a 5 percent CPI, an enlisted person who stayed, say, to 30 years would suffer a smaller realtime earning loss. So, it is very difficult to say what the impact would be.

I agree with you that one has to have a system that one can count on. I think it is very important that we understand this. I think it is also important to keep in mind, as you well know, that all government entitlement programs in the 1980's are being subjected to increasing scrutiny. The bipartisan solution to the social security system, I think, is something that says that we have situations which the executive and legislative branches must deal with.

Senator **Jepsen**. I think the history of the entire military retirement program in some depth should well be presented to the Congress. I suspect that years ago when you had to be able to move, communicate and shoot, there was a great deal of emphasis placed on the need for being able to run up and down hills and carry a weapon. They figured when you got much over 40 years of age you get short of wind and stamina and a few things like that, so that in a fighting kind of posture 20 plus 17 or 20 plus 20 is around the age of 40, 37 to 42. That was when the folds would not be able to measure up physically.

I am sure that has something to do with this, and that probably, with the high technology age that we live in today, should be reviewed. Do you think?

Dr. **Korb**. I think that one has to take a look at the military compensation picture in toto because of the actions of this subcommittee and other parts of Congress and the administration. There have been a great many changes made to the military compensation system in the last couple of years.

I think that the introduction, for example, of the variable housing allowance is a very significant thing. The large pay raises, the so-called Nunn-Warner bill of 1980; the 14.3 percent pay raise the following year, increases in a number of the incentive pays, have changed in the last couple of years the whole active-duty pay structure considerably.

The introduction of the All-Volunteer Force in 1973, the adoption of comparability in 1967 also changed the active-duty pay structure considerably.

One cannot look at them in isolation. One of the burning issues that I can remember when I first came to Washington some 10 years ago was recomputation of the base for people who retired prior to 1958 before the active-duty pay raises came into effect. After they left, the active-duty pay raise base was raised much higher and those people who retired prior to 1958 did not receive advantage of that.

Now you have a situation in which you have a retirment system which was created when active-duty pay was comparatively low. You have the essentials of that system in place when active-duty pay rates have been made more comparable. I think one has to look at it in toto.

That is why I have charged the Fifth Quadrennial Review of Military Compensation to take a look at it in toto. We cannot change just one aspect of active duty or retirement pay without realizing its impact on the whole military compensation system.

Senator **Jepsen**. I commend you for that. It certainly is the piecemeal package here that is rather unsettling and has brought the total benefit package for a career person to the point where it is.

AVIATOR BONUS

One last question, Dr. Korb. The authority of the Navy and the Marine Corps to pay the aviator bonus expired at the end of the last fiscal year. Although the Defense Department has not requested funds for this particular bonus in its fiscal year 1984 budget, the two services have asked Congress to renew their authority to pay it.

Now, in your opinion is the retention of aviators in the Navy and Marine Corps still low enough to justify resumption of this aviation bonus? That is one.

Two, if you believe that it should be renewed, would you change the term on which it was being offered?

Dr. **Korb.** As you know, when the authority for what is called the AOCP—or the aviation officer continuation bonus—was established in the fiscal year 1981 Authorization Act, it was offered to all of the services but only the Navy and Marine Corps accepted it. The Air Force took the other option, the so-called ACIP, which essentially is enhanced flight pay.

My understanding is that if the authority for that were restored, the authority which expired on September 30, 1982, the Navy and Marine Corps would program money against that.

My essential feeling is that the services ought to be allowed to manage their particular programs within their resources and, if the Navy and Marine Corps felt that this was a better way to deal with the pilot situation than, for example, paying the enhanced or the increased ACIP, then they should be allowed to do that.

Senator **Jepsen.** Thank you for your appearance, your testimony, and your cooperation. I understand you have a flight to catch. Are we in time?

Dr. **Korb.** Yes, sir. Mr. Chairman, as always, you are right on time.

Senator **Jepsen.** Well, now, that was not quite accurate when we started.

Dr. **Korb.** I mean in terms of leaving. I asked to leave at 2 o'clock.

Senator **Jepsen.** All right. Thank you very much. There may be some questions for the record.

Dr. **Korb.** I want to thank you, Mr. Chairman, for your support in the past and for the spirit in which the debate and dialog was conducted this year. I am very grateful to you for that. I think you have elucidated the issues and whether, in fact, we agree on the outcome, at least I think we will know why we made the decisions.

But I want to thank you very much for that.

Senator **Jepsen.** Thank you, Dr. Korb.

Now I would welcome Maj. Gen. John Mitchell, Rear Admiral Herberger, Brigadier General Lukeman and Major General Peek.

I respectfully suggest that you do summarize your statements for the record. I will assure you that your individual statements that you have prepared will be entered into the record as if read. You may proceed at this time. Major General Mitchell, Director of Human Resources Development in the Army.

STATEMENT OF MAJ. GEN. JOHN H. MITCHELL, USA, DIRECTOR OF HUMAN RESOURCES DEVELOPMENT

General MITCHELL. Mr. Chairman, thank you. The Army appreciates the opportunity of appearing before this subcommittee.

I have nothing to add to my prepared statement. I am available for questions.

Thank you, sir.

[The prepared statement of Maj. Gen. John Mitchell follows:]

PREPARED STATEMENT BY MAJ. GEN. JOHN MITCHELL, DIRECTOR OF HUMAN RESOURCES DEVELOPMENT, OFFICE OF THE DEPUTY CHIEF OF STAFF FOR PERSONNEL, DEPARTMENT OF THE ARMY

INTRODUCTION

Thank you for your past support of initiatives on behalf of servicemembers and their families. Your concern for them has been welcomed. The support has made possible the highly capable and motivated Army that we have today.

PAY AND RETIREMENT

The Army supports the Department of Defense position in support of the President's decision to seek a pay freeze for fiscal year 1984 in his efforts to control the budget deficit. So long as our people are sharing equitably with other Americans in eliminating the budget deficit, they understand this decision. Of course, concurrent discussions of the decision to seek a pay freeze and potential changes to both the civilian and the military retirement systems heighten anxiety among our personnel. As you know, the Fifth Quadrennial Review of Military Compensation was specifically charged by the President with examination of the military retirement system. In that forum, the analytical underpining of potential changes to that system can be assessed. All Services are supporting this compensation review which is due to submit its report to the President by the end of this fiscal year. The President then submits his report to Congress. It should provide insight into consideration of all aspects of the military retirement system. This should prove extremely useful in deliberations on any modification to the system. As for changes in the civilan retirement system, there has been concern registered by many that, although changes may be inevitable, adequate study to accurately assess the impact of changes on the civilian workforce is necessary. My purpose today is not to discuss the proposed Civil Service retirement system changes. But, I am concerned that changes in the Federal civilian compensation system which have an adverse impact on the civilian workforce, may affect our ability to maintain a top-qualify workforce. This, in turn, could result in shifting tasks to military personnel and consequently reduce training and readiness.

EDUCATIONAL INCENTIVES

The present authority for Vietnam era GI Bill educational benefits expires in 1989. We support legislation extending this authority past 1989 so that soldiers may stay for a full career and then take advantage of their educational benefits. Your support of this legislation will remove a retention disincentive for midterm and career soldiers.

BONUSES

Recruiting and reenlistment bonuses continue to play a significant part in attracting and retaining high quality individuals. Higher quality people (higher scoring high school graduates) are more difficult to attract into the force and tend to leave the Service at a greater rate than lower scoring counterparts. We must continue our bonus program to attract and retain high quality individuals in order to provide a competent force.

FISCAL YEAR 1984 BUDGET INITIATIVES

There are several initiatives in the fiscal year 1984 budget for which we seek your favorable action.

In the Uniformed Services Pay Act of 1981, authority was provided for a Continental United States temporary lodging expense (CONUS TLE). We are seeking funding for up to four day's reimbursement (maximum of $110 per day) for the peculiar expenses incurred when the member who must occupy hotel-like accommodations while making a directed permanent change of station movement.

Currently, our government civilian and military personnel overseas are entitled to annual round-trip travel for family members who are full time students at an accredited college or university. The significant difference, however, is that the civilian authorization is for a funded round-trip and the military family member is authorized "space available in military aircraft." Legislation has been proposed to permit one funded round-trip per school year for the student family members of military personnel stationed overseas.

The Army supports the DOD position on educational benefits: To continue the Veterans Educational Assistance Program with supplementary "kickers" into the future.

CONCLUSION

Together we can maintain the force manning momentum of the past two years. Our interests are the same—a fair and equitable compensation system which supports efforts to attract and retain a high quality force providing for our national defense.

Senator **JEPSEN**. Rear Admiral Herberger, Director of Military Personnel Policy Division, U.S. Navy.

STATEMENT OF REAR ADM. A. J. HERBERGER, USN, DIRECTOR, MILITARY PERSONNEL POLICY DIVISION

Admiral **HERBERGER**. Mr. Chairman, it is a pleasure for me to appear before this subcommittee to thank you for your support in the area of compensation in recent years.

The success that the Navy today is enjoying in the areas of recruiting and retention is attributable in large measure to the willingness of this subcommittee to initiate steps that were necessary to ensure that our men and women in service are adequately compensated for the demands placed upon them.

As Admiral Zech, the Chief of Naval Personnel, recently testified before this subcommittee, the Navy has made great strides in the past 2 years in correcting the manpower problems of the recent past.

We feel that we need to continue the positive momentum we now enjoy if we are to maintain the high readiness and to grow our manpower resources to support national defense objectives.

We also know that as the national economy improves, our task will become more difficult. The demand for the highly skilled personnel that the private sector will need as the economy improves will be a draw on our highly skilled, talented individuals. We will have problems in recruiting and retention, as we have had in the past. We also know that there will be a dwindling pool of available manpower during this next decade.

We are confident that we can meet these challenges if Congress continues to demonstrate the strong support that has restored the faith of our members in our compensation system. As you have said, a stable total compensation package which is competitive with opportunities available in the civilian sector is essential to our efforts.

We feel that the critical elements of this package are a basic pay and allowance adjustment mechanism which will match growth in the private sector, again to keep us competitive with that draw.

We also need a flexible system of special and incentive pays and bonuses, such as the aviation officer continuation pay and for the Navy sea pay which we can specifically tailor against the drain on our most highly skilled, well-educated, well-trained personnel that would be drawn to the civilian sector.

We also feel that we need a stable retirement system as we have had in the past, a system that can be counted upon by the men and women in uniform.

Travel reimbursements which do not require members to pay out-of-pocket cost when they are on Government-directed moves is another area that needs continual support.

In view of the proposed pay freeze this year, we feel it is very important to maintain the stability in the other areas of compensation and in the quality-of-life areas. We are confident that we can meet the challenges of providing sufficient skilled, experienced personnel for our service if the Congress continues the strong support which has restored the faith of our members in our compensation system.

Thank you, Mr. Chairman. I am ready to answer any questions that you may have.

[The prepared statement of Rear Adm. A. J. Herberger follows:]

PREPARED STATEMENT OF REAR ADM. ALBERT J. HERBERGER, U.S. NAVY, DIRECTOR, MILITARY PERSONNEL POLICY DIVISION, OFFICE OF THE CHIEF OF NAVAL OPERATIONS

Mr. Chairman, it is a pleasure for me to appear before this committee. This is my first opportunity to meet with you as the Director, Military Personnel Policy Division on the Staff of the Chief of Naval Operations. I would like to express my personal appreciation and the appreciation of the entire Navy for the positive action of this committee with respect to military compensation. The success that the Navy today is enjoying in the areas of recruiting and retention are attributable in large measure to the willingness of this committee to initiate those steps necessary to ensure that our men and women are adequately compensated for the demands placed on them.

As Admiral Zech has testified, the Navy has made great strides in the past two years in correcting the manpower problems of the recent past. We need to continue the positive momentum we now enjoy if we are to maintain high readiness in support of national defense objectives. Currently, we are enjoying unprecedented success in recruiting and retaining the force we need for the larger Navy of the future. However, we began the buildup with a petty officer deficit of over 22,000. Thus we are faced with the challenge of growing the total force at the same time we are trying to correct that shortage. We are making progress. At the end of the past year petty officer shortages were reduced to less than 18,000. I'm sure you are aware that the current economic situation has played a major role in our ability to reduce the petty officer shortfall. As the economy improves, our task will become more difficult. The demand in the private sector will increase for those same individuals needed by the Navy, and the problem of meeting accession goals will be compounded by the dwindling pool of available manpower in the next decade.

We are confident that we can meet these challenges if Congress continues to demonstrate the strong support that has restored the faith of our members in our compensation system. A stable total compensation package, which is competitive with opportunities available in the civilian world, is essential to our efforts. The foundation of that total package rests on the basic pay and allowances pay adjustment system that will permit military pay to match growth in private sector wages and salaries. Other critical elements include:

A flexible system of special and incentive pays and bonuses, with which we can specifically tailor our compensation to achieve our goals in retention.

A competitive benefit program which includes a stable, dependable retirement system.

Travel reimbursements which do not require members to pay out-of-pocket to subsidize government directed moves.

In view of the proposed pay freeze this year, it is important to maintain stability in other areas of compensation. Our members are willing to accept their share of the costs this year to restore economic health to the nation by foregoing a pay adjustment, but they must perceive that other elements of the compensation package continue to remain on solid ground. We are hopeful that, as the economy continues to improve, we will be able to provide the necessary military pay adjustments to restore pay to the relative level that existed after the 1 October 1981 pay raise.

During the past year we have been able to implement four needed programs in the compensation area. Flight deck hazardous duty incentive pay is now available for the first time to members on air capable ships other than aircraft carriers. Diving pay has been restored in value and it is serving the purpose of attracting members into our diving community. We are able to provide funds when necessary to return our overseas members and dependents to CONUS in the event of a family emergency, without imposing inordinate out-of-pocket expenses. And finally, we are able to fund household goods storage for members who are forced by military orders to leave their goods in storage longer than the normally prescribed time limits. All of these problems were welcomed as they addressed long standing problems. However, several issues still remain which I would like to discuss with you.

LINKAGE OF PAY RAISES TO THE EMPLOYMENT COST INDEX

The Department of Defense is proposing legislation to sever the existing link between Federal Civil servant and military pay adjustments, and establish a new link between military pay adjustments and wage growth in the private sector. The Employment Cost Index (ECI), a Department of Labor quarterly survey of national private sector wage movement, is the proposed yardstick for determining military pay adjustments. Because this index represents a broad cross-section of American workers, includes about 70 percent of the skills used by the military, and will provide equitable treatment both to members and other taxpayers, it has won approval of the Military Manpower Task Force and GAO as the appropriate linking mechanism. This proposal will restore a much needed element of stability to the pay adjustment process.

SELECTIVE REENLISTMENT BONUS (SRB) AND ENLISTMENT BONUS (EB) PROGRAMS

We appreciate the early action of Congress to extend the authority for the SRB and EB programs through FY 1984. Full funding of these programs will provde the Navy the necessary flexibility to obtain maximum utilization of money by targeting in the most efficient manner. As you are aware, the scope of the SRB program will not grow in FY 1984. The increase in the SRB funds requested reflect the anniversary payments due. The increased request in EB funds are a return to projected levels after the program cut in FY 1983.

AVIATION OFFICER CONTINUATION PAY (AOCP)

The AOCP program has been a major factor in Navy's success in reducing the aviator shortfall in the past two years. At the same time it has been an extremely cost effective alternative to training new aviators to replace those who would otherwise have been expected to leave the active service. Although the situation is improving, the aviator shortfall persists and is not forecast to be eliminated until FY 88/89 even with continuance of the bonus authorization. Your favorable consideration in authorizing resumption of the AOCP program in FY 1984 will significantly aid our efforts.

QUARTERS REIMBURSEMENT DURING OVERHAUL

The Navy is again requesting authority to reimburse our members for quarters expenses when their ship is overhauled and government quarters are not available. Since this authority was lost at the end of FY 1982, Navy has been fortunate to be able to house displaced members in barges or government leased quarters. However, we cannot guarantee that government provided housing will always be available, nor can we predict when unprogrammed circumstances may preclude our ability to meet housing requirements. We believe that authority for this program is required if the Navy is to have the flexibility to meet the housing needs of our members.

SEA PAY IMPROVEMENT

We are proposing legislation to improve the attractiveness of sea duty to our senior enlisted and warrant officers. Maximum Career Sea Pay levels now are paid to members with 12 cumulative years of sea duty. By providing increased sea pay levels to members with between 13 and 20 years of cumulative sea duty, Navy hopes to attract our most experienced enlisted leaders and specialists to undertake further tours at sea. We cannot overemphasize the value of these members to the smooth running of our our ships and the education of our leaders of the future.

VIETNAM ERA GI BILL TERMINATION DATE

As you are aware, the Vietnam era GI Bill terminates in 1989. Navy supports an extension of the expiration date to allow eligible members to complete a Navy career without losing this benefit. Careerists who have left the Navy cite the loss of GI Benefits as a significant factor in the decision to separate from the service. As the 1980 deadline draws closer, we anticipate that this issue will continue to grow in importance as the 120,000 eligible Navy men and women in the critical retention window, 6 to 14 years of service, decide whether to continue their Navy careers or leave to use their GI benefit. We would urge early action on this issue.

FISCAL YEAR 1984 DOD LEGISLATIVE CONTINGENCY FUND

Several issues of particular importance to the Navy have been identified for inclusion in the DOD legislative contingency fund. Although these issues will require only modest funding, they address problems which must be confronted if Navy is to maintain a competitive compensation package.

Our proposal to provide a second dislocation allowance for members whose orders change while the member is en route, will help to reimburse affected members for the additional expenses involved in alteration of plans.

Funded travel in overhaul will modernize an existing program that provides members the opportunity to visit their families during extended overhaul periods.

Funded student travel overseas will correct an inequity between military and civil servant benefits by making the military dependents eligible for one funded annual round trip to CONUS for purposes of attending schools not available at the sponsors overseas duty site.

Funded motor vehicle storage in lieu of transportation will correct an inequity for our members ordered to overseas duty sites which restrict importation of motor vehicles. Members in that situation now are faced with the option of selling their vehicle or storing it at their own expense while they are stationed overseas.

Navy is proposing legislation to establish scholarships to attract the most qualified college students and enlisted men into the nuclear power program. If enacted the nuclear power officer candidate (NUPOC) program is expected to bring Navy closer to meeting accession goals by providing 125 to 150 more accessions each year.

In summary. The programs I have outlined above are the issues I feel must be addressed this year if the military compensation system is to remain competitive with the private sector, even in a year of limited funding.

I am sure that with your strong support in compensation, the Navy will be able to meet the manpower challenges ahead.

Senator JEPSEN. Thank you, Admiral Herberger.

General Lukeman.

STATEMENT OF BRIG. GEN. A. LUKEMAN, USMC, DIRECTOR, MANPOWER PLANS AND POLICY DIVISION

General LUKEMAN. Thank you, sir. I appreciate the opportunity.

A fact of life in the Marine Corps is that two things are fundamental to morale and they are good chow and pay. They are sort of the "givens" that permit everything else to work. We neglect either one of them very much at our peril. They need to be constants. It is kind of like ammunition and flank security in combat.

There are a lot of different ways to look at pay or maybe, to broaden it to this context, to look at compensation. For the platoon leader payday is a chance to take a look at his men, to look him in the eye after each man has been inspected by a squad leader and check on how he is doing. "What do you hear from your family? How are you doing in your correspondence courses? Good work on the rifle range last week."

For the marine getting the pay, it is one constant in a life that has very few. He may have returned from the desert last month, and he may be on his way to Norway next week. He knows what he is going to get and, equally important—and I think I probably ought to say more important in the context of this hearing, he knows about what everyone else gets—at least to the extent that he knows for sure that his sergeant is getting a good bit more than he is, and the lieutenant is getting a good bit more than the sergeant.

That is the point I want to emphasize. Military pay fits military service well. It emphasizes and reinforces the chain of command, and as it does that, it works on morale, discipline, and helps fix the foundation of military effectiveness—not just by the amount but also because of its relative simplicity and order.

For the career marine compensation has a similar advantage, it has a constancy and a predictability that permits him to give his full attention to his marines and not concern himself with next payday when he may well be on his way somewhere unexpectedly. The chances are he has his pay allotted to his wife or going directly to a bank, and he knows it will continue.

In all of this, there is a basic pay line, nothing fancy. If you are a private your base pay is $574 a month; a sergeant, $760; a lieutenant, $1,098. Marines like this and, more important, the military services need it.

The question comes up, is it efficient? The answer is, absolutely. The cost of not paying military people primarily through a standard basic pay line that supports the military organization is impossible to calculate. I guarantee that it would mean a different Marine Corps.

What about special requirements? Do you not want to pay something extra to Marines who defuse unexploded ordnance? What do you do if you are having trouble keeping computer technicians?

As you know, our system of special pays and bonuses is designed for those requirements. The compensation system says that marines are first and foremost members of an organization and must be paid through basic pay in a way that supports that organization's values, but that special circumstances may require special pay—either relatively constant pay such as the incentive pay for the marine working with explosive ordnance disposal or one-time pay when the computer technician is deciding whether to reenlist or to go to work for IBM.

The active-duty pay fits into an entire compensation system—including retired pay—that meets the special circumstances of the military services.

The whole thing is really not complicated. It works. Look at your marines, and your airmen, and your soldiers, and sailors. Something is right about the chow and the pay.

So, my brief summary is, we have a pay system here that is not broken. It does not need an overhaul. It certainly needs fuel but the very significant dollar cost of compensation is helping to provide us with truly effective and efficient armed services.

If there are to be changes in the system, I urge moderation and a continuation of the deep concern that this committee has always had for the long-range effects that changes might have on the services.

Thank you, sir.

[The prepared statement Brig. Gen. A. Lukeman follows:]

PREPARED STATEMENT OF BRIG. GEN. ANTHONY LUKEMAN, U.S. MARINE CORPS, DIRECTOR, MANPOWER PLANS AND POLICY DIVISION

Mr. Chairman and Members of the Committee, I am Brigadier General Anthony Lukeman, Director Manpower Plans and Policy Division, Headquarters Marine Corps. It is a pleasure to appear before this Subcommittee in order to give you the views of the Marine Corps regarding military compensation.

I would like to begin by thanking you for the Subcommittee's recent support in continuing the Selective Reenlistment and Enlistment Bonuses. These two efficient, flexible complements to the basic elements of compensation have permitted the Marine Corps to close on the long standing problem of skill imbalances. We have never been closer to meeting our requrements, not only in total numbers but, more significantly, also in grades, experience, and skill.

We are doing well both in recruiting and retention. In great measure, that success is attributable to the balanced compensation system of basic pay and allowances, efficient special pays and bonuses that can be tailored to the specific skill shortages that exist at a given time, and retirement and survivor benefits unique to the extraordinary requirements of the military Services.

The foundation is the basic pay line along with subsistence and quarters allowances, which, since the advent of the All Volunteer Force, has been widely recognized as being most efficient when it is maintained at reasonably comparable levels with private sector wages. Pay more than comparability in the basic elements of compensation, and we waste dollar resources; pay less and we waste human resources as individuals recognize that their years of experience and training and discipline will be better rewarded in the private sector.

And that is where the principal difference between the military services and other organizations becomes critical: when a Marine staff sergeant in charge of an A-6 squadron's flight line decides to leave the Corps to work for the airlines, we can't replace him by hiring on a similar person. We have to start all over again by recruiting, training and maturing a private (several privates, as a matter of fact, since not everyone will make it to staff sergeant), and by about 1990 or 1991 we will have made up for the staff sergeant we lost in 1983. There are no "lateral moves" into the Marine Corps; we bring in privates or second lieutenants, and we must nurture those individuals over many years to develop a ready, able career force. While it is risky to generalize, it is not too far wrong to say that this single unique characteristic of military service—being able to bring in new people only at the lowest level—is of overriding importance. Any significant change in military compensation, particularly to the principle of comparability or to the retirement system, must recognize that.

The key to maintaining pay comparability is to establish a military pay raise adjustment mechanism tied to the Employment Cost Index (ECI) as recommended by the recent Military Manpower Task Force. The ECI measures the nationwide rates of change in earnings of the private sector. If it is generally agreed that comparability exists at any given time, then tieing future adjustments to the ECI makes sense. It provides a reasonable, explainable standard that is implicitly fair and understandable. I am absolutely convinced that the vast majority of Marines with whom I have served over the years would welcome such system, and that the military services would be the better for having adopted it.

Because of the particular importance to the Marine Corps of the military retirement system, and because there may be legislation again this year recommending significant changes in that system, more needs to be said about its effectiveness. I suggested previously that the system provides an incentive to keep trained, skilled officers and enlisted marines in the Corps. Its role as a force management tool sets it apart from other retirement systems. It pulls strongly to the 20 year point, then continues providing an incentive for those relatively fewer, more senior commissioned and noncommissioned officers who make up our top leadership. And it does this in spite of the obstacles: tough duty, the overriding imperatives of discipline and personal willingness to sacrifice, the impact of military life on families, the absence of the kind of stability represented by one home, one town, one set of roots.

Our retirement system supports another unique feature of the Armed Forces: the need to keep the average age of the members relatively low, so that they can meet the intense physical demands of combat. There are a lot of reasons why Marines are fit, but the most telling physiological one is that most Marines are relatively young, and they are physically able to meet the demands we place on them. We just don't need many Marines who are much older than about forty.

Our retirement system is also central to establishing a pool of experienced manpower for force expansion during mobilization.

The Department of Defense almost continuously reviews its compensation systems as a coordinated whole, including military retirement. It has been doing this in a formal and scheduled way since the 1960's, when the first of five quadrennial reviews of military compensation was initiated. Through those reviews (the fifth is ongoing and has not yet reported its recommendations), the interrelationships of the various elements of military compensation have been thoroughly examined. Subsequently, various modifications to those elements, including the retirement system, were enacted. In my opinion, that kind of comprehensive examination is absolutely necessary whenever significant changes to any portion of the military compensation system are being considered.

Several improvements to military compensation would be particularly valuable to the Marine Corps. The rates for Special Duty Assignment Pay provided to personnel on recruiting duty in all of the major population areas throughout the country have not changed since 1958. This pay no longer adequately satisfies its intended purpose; that is, to help cover the added expenses inherent in an assignment to independent duty at locations distant from military installations, and to serve as an incentive to attract highly qualified volunteers for recruiting duty. A second special pay that has remained unchanged for many years (since 1963) is the Family Separation Allowance (FSA), the purpose of which is to help the serviceman cover the additional expense of maintaining two households when he is required to serve in an unaccompanied status. FSA rates should be increased to levels that more closely approximate the expenses that the allowance is intended to offset.

An effective military compensation system should also provide for full reimbursement to individuals for the costs they experience when we order them from one place to another. Right now, we are pinching pennies in connection with military moves by paying service members considerably less than it actually costs them to move from one station to another. Military people find it particularly difficult to accept these inadequate reimbursements when they realize that their employer—the federal government—provides much more adequate reimbursement to federal civilian employees when they are transferred. The high cost of permanent change of station travel to individuals was recognized, in part, by the fiscal year 1981 pay bill, which contained several new travel provisions. One of the most important provisions, Temporary Lodging Expense (TLE), has not yet been funded. TLE would improve the chances that a military member will be able to afford the cost of relocating within the United States without digging into his savings or drawing an advance on his pay. We have once again included this entitlement in our budget request.

Another program associated with government-directed moves that partially reimburses Marines for living expenses incurred is the Variable Housing Allowance (VHA). The VHA provides members living in designated high cost areas compensation to augment Basic Allowance for Quarters (BAQ) in paying for actual housing costs. The amount of VHA, by law, is equal to the difference between the average monthly cost of housing and 115 percent of BAQ. VHA has significantly assisted service members required to live in such high housing cost areas as Washington, D.C., where government quarters are largely unavailable. While members residing in government quarters are not affected by increased housing costs caused by inflation, members required to live in civilian housing absorb those increases. The gap between the housing allowance and the cost of housing widens when the VHA is capped, as it was in fiscal year 1983. VHA then starts to lose its intended effect. This program requires sustained funding at the level determined by its formula. If we believe the formal or the principle is wrong, we should change the program. If we believe both are correct, we should fund the VHA fully.

We are convinced that the significant achievements made in recruiting and retention during the last two years can be sustained, given a military compensation system that provides the necessary foundation for efficient and effective force management. A comparability pay standard and a retirement system that meet the unique circumstances of the military services are the two most essential elements of that system. I urge your continued efforts to maintain both, so that military members will view their compensation as a long-term guarantee of adequate pay.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions that you might have.

Senator **Jepsen**. Thank you, General.
General Peek.

STATEMENT OF MAJ. GEN. K. L. PEEK, JR., USAF, DIRECTOR OF PERSONNEL PLANS

General **Peek**. Thank you, Mr. Chairman. I am delighted to be here today to talk on behalf of the Air Force people, and I appreciate the strong leadership and support that you have given us.

All personnel trends in the Air Force are upbeat and positive, I think based upon three primary factors—internal Air Force leadership initiatives; certainly the backdrop of economic factors within the country, and improvements in the general area of pay and compensation.

I believe that the entire military service structure is based upon pay and allowances, special and incentive pays, and institutional support systems. Military service is not an occupation. We ask much of our people—long hours, shift work, weekend work, family separation, remote tours, children changing schols, and high risk of life-threatening situations.

We expect our people to comply with the rules. We expect them to cope with the military demands. We expect them to follow orders.

So, the institution asks a lot of our people and in turn I think our people expect the institution to meet their needs—to train them properly, to equip them properly, and to provide them a sense of security and stability; some sense of financial status that is reasonable and predictable. Special and incentive pays that can focus on short-term problems, such as our aircraft maintenance or avionic skills.

Institutional supports, then, are the third portion, including such areas as retirement, medical, commissary. Institutional supports function as a huge shock absorber and enable people to undergo the hardships associated with military service. This latter area is what separates military service from an occupation, and as an institution I think we must keep good faith with our people.

Working together, I am certain we can insure the adequacy of pay, special and incentive pays, and the institutional support so we can maintain the high state of readiness through the retention of high-quality, trained, experienced, and dedicated Air Force people.

Thank you very much, sir.

[The prepared statement of Maj. Gen. K. L. Peek, Jr., follows:]

Prepared Statement of Maj. Gen. Kenneth L. Peek, Jr., Director of Personnel Plans, U.S. Air Force

INTRODUCTION

Mr. Chairman and Members of the Committee: I appreciate this opportunity to appear before you today to discuss Military Compensation. The personnel situation in the Air Force is much as it was last year. At present, the Air Force, as well as the other Services, is enjoying unparalleled recruiting and retention success. However, an anticipated increase in private sector competition for skilled people and an improving economy, results in an uncertain and fragile recruiting and retention environment in the coming years. During these same years we will be recruiting from a declining population base while the programmed force is increasing. While the recent economic climate has contributed to the best recruiting and retention in recent history, the Air Force still has difficulty recruiting engineers and physicians.

In addition, there are significant enlisted skill shortages in several critical areas. Of particular concern is the fact that past recruiting and retention successes have been aided in part by various economic factors such as high unemployment and a low level of industrial activity. With economic recovery on the horizon, it may become more difficult to attract and retain the people we need to operate, maintain, and support our weaponry. We must, therefore, work toward consideration of programs designed to sustain present recruiting and retention rates, build experience and preserve the quality of life of our people and their families.

MILITARY COMPENSATION

Military compensation is one of the most important factors affecting the Air Force's ability to provide the manpower needed to operate, maintain, and support today's complex and sophisticated weapon systems. In its broadest sense, military compensation serves the same purpose as any compensation system—it attracts, retains, and motivates the requisite kinds and numbers of people. There are important differences, however, between a member of the Armed Forces and an employee in the civilian workplace, and these differences require a unique approach to the way in which military personnal are compensated.

Military service places unique demands on its people and their families and as a result, differs significantly from civilian employment. Extended tours abroad, 24-hour availability, frequent moves, family separation, and subjection to military standards, discipline, and laws are institutional demands not shared by the private sector. Service in the Armed Forces is not predicated on a formal, written contract nor on rules of negotiation as in private industry. Rather, the military member accepts on faith that the institution will provide for his or her job and financial security and that reasonable living conditions will be provided for both the individual and his or her family. These characteristics have long differentiated the military profession from civilian occupations, whose legitimacy has been based upon exchange of labor for wages.

The military compensation system is made up of three components: pay and allowances; institutional supports such as retirement, commissaries and medical care; and special and incentive pays such as Selective Reenlistment Bonuses and Aviation Career Incentive Pay. Together, they form a total and comprehensive "compensation package". The security and stability afforded by this system over the years has given our people confidence that they and their families will be adequately cared for. Our people, in turn, dedicate their full attention to the mission.

PAY

On 1 October 1982, military pay was capped and the fiscal year 1984 budget proposes that it be frozen at its current level for fiscal year 1984. While this creates some risk to recruiting and retention, we're hopeful, because the freeze effects all federal pay and entitlement programs, no serious damage will occur. We will not hesitate to ask Congress to take appropriate action if adverse recruitment and retention trends develop.

PCS REIMBURSEMENTS

In the last eight years the number of PCS moves has been cut by half while the average time between moves has doubled. However, increasing costs of moving remain a significant burden to our people. Today, Air Force members are significantly under-reimbursed when they move their families to a new duty station. Our people are borrowing and withdrawing from savings to meet expenses incurred as the result of government-directed moves. We have included initiatives in our fiscal year 1984 program which require your support to partially correct this situation. Once again, our people are looking to senior leadership with trust and confidence that we will provide for their basic needs. In this case, all they ask is that they not be financially "penalized" as a result of a government directed move.

BONUSES

The Air Force recognizes that special compensation policies must be designed for selected subgroups. This is necessary to maintain adequate levels of manning in certain duties where manpower is difficult to attract and maintain. Rather than raise the base levels of compensation to encompass these special situations, a system of bonuses and special/incentive payments has proven to be a cost-effective method dealing directly with a specific manpower problem while at the same time, preserving the stability of the basic compensation system. The fiscal year 1984 Budget contains funds for continuing bonus programs. Despite favorable retention rates, at the end of fiscal year 1982 the Air Force was short approximately 8000 NCOs in a number of critical skills. In addition, the experience deficit still remains from the losses of the late 1970's. The Selective Reenlistment Bonus (SRB) is designed to increase reenlistments in those critical skills where there are insufficient reenlistments to sustain the career force. Without the bonus, many of our most highly trained and experienced people would not reenlist, further impacting on existing critical skill shortages. Historically, we find that there is a 10 to 20 percent improvement in reenlistments when a skill begins to receive an SRB.

The Enlistment Bonus (EB) program, with a fiscal year 1984 budget of less than $3M, applies to only four skills. Three of the four skills demand highly intelligent people who must complete long, demanding training courses, the fourth (explosive demolition) is one of our most hazardous skills and has a very high training attrition rate. In return for payments that range from only $1000 to $4000, our people are required to enlist for a period of six years.

CONCLUSION

In conclusion, Mr. Chairman, and members of the Committee, our compensation system is complex but it has served the unique requirements of the military well in the past. It will continue to do so as long as it provides our people and their families the security they expect and deserve and fulfills the commitment made to them in return for the many sacrifices they are called upon to make for their country. We are confident that with your continued help, the Air Force will be able to meet its manpower and personnel needs and that we will succeed in making the Air Force an ever better way of life for our people. We will continue to seek new and innovative ways to perform our mission at the least cost and have committed ourselves to obtain maximum economy and efficiency at all levels of the Air Force.

Senator **JEPSEN**. Thank you, General.

MILITARY RETIREMENT OBJECTIVE

I have a question that I would respectfully ask each of you to respond to. One purpose of military retirement is to provide this force profile that supports our defense requirement.

In your opinion, does the current retirement package succeed in producing the most effective mix of age and experience for each service?

General Lukeman of the Marines first.

General **LUKEMAN**. It succeeds very well in coordination with the rest of military compensation, Mr. Chairman. You were mentioning earlier the time when many people in the services went up and down hills a whole lot and needed that youth and vigor that we often talk about as one of the reasons for the military retirement system.

In today's Marine Corps, over 97 percent of our marines are under 40 years old.

Senator **JEPSEN**. That has not changed much in the Marine Corps.

General **LUKEMAN**. It has not changed much for us, sir, and for this reason the military retirement system is a very effective and necessary part of the military compensation system.

Senator **JEPSEN**. General Mitchell?

General **MITCHELL**. Mr. Chairman, we would second the Marine Corps' notion, certainly in the youth and vigor arena as we are very closely aligned with the nature of the work the Marine Corps does.

But I would also add that the Army welcomes the opportunity to review this every 4 years. We are strongly supportive of leaving changes to that system to the orderly and institutional process represented by the quadrennial review process.

Senator **Jepsen**. Admiral.

Admiral **Herberger**. Mr. Chairman, from the Navy point of view, we have a very similar problem to the Marine Corps and that is going to sea in ships on what we consider arduous deployments. It is a young man's game, there is no doubt about it.

Therefore, the current retirement system in a general sense is very supportive of the Navy's needs. We have a limited number of positions both at the enlisted and the officer area at the high end of the rank and rating structure. We have a need to have a youthful force in the junior end that would go out at the 20-year point.

There are some specific skill areas where predominantly the billets that we utilize the people in are predominately ashore. In those areas we might be open to longer career tours.

I would second what General Mitchell just said, that this review that the Fifth Quadrennial Review is undertaking might analyze some of these areas. But in a general sense the Navy is supportive of the current retirement system because we need a youthful force to go to sea, to be in the operational squadrons and in the ships.

Senator **Jepsen**. General Peek.

General **Peek**. Yes, sir. The average age of the airman is 27 and we have found that the retirement system does meet our force profile, structure requirements, quite well.

The average years of service at retirement of our enlisted and the officer force is between 23 and 24 years. Our people do not all retire after 20 years. So, we have a spectrum even though people tend to focus on the 20-year point, not everyone retires at 39 or 40 years of age. Many of our people stay on longer.

Of course, I would be remiss if I did not mention the fact that the combat force of the Air Force are the aviators and we need young and youthful fliers in our inventory.

Senator **Jepsen**. I am advised that the commander in the Space Sat is 50 years old.

General **Peek**. Yes, sir.

Senator **Jepsen**. I am glad to hear that. [Laughter.]

MILITARY PAY SYSTEM

Mr. **Principi**. General Lukeman, sir, do you sincerely believe that the young marine truly understands the military pay system? You said it was rather simple, the basic system.

Given the nature of military pay being a conglomeration of various kinds of pay—from tax advantages to whether you are married or not, whether you can get a bonus or not—do you believe that?

General **Lukeman**. I think for most of the junior enlisted marines it is pretty simple, Mr. Principi. They do not worry about the tax advantages, because they are filling out the short income tax form.

The important part of the pay system is its constancy, knowing that it is going to be there. They know it is going to be right. They really do not think about pay too much.

As a related thing, because we may get into it later, the junior marines do not really think about the retired pay too much. But those who are careerists know it is there, and it is an extremely important cushion—as I think General Peek used the term—it is an extremely important cushion that permits the marine not to worry about what is going to happen next payday.

Senator JEPSEN. Do you pay by cash?

General LUKEMAN. No, sir. We are paying by check, and we still have many, many platoon leaders around the Marine Corps who are handing that check across the blanket to their people. The vast majority of our marines, the young marines, do not have checks go to the bank, the careerists do.

Senator JEPSEN. Your remarks kind of ring a nostalgic bell with me. It gives the commander an opportunity to ask the soldier, the sailor, the marine, how he did or commend him for something he did well. I remember the days.

General LUKEMAN. We have been taken to task for not having more of our marines with check-to-bank, and this is one of the reasons that we do not want to do it. We want to pay them person to person.

Mr. PRINCIPI. We are going to be faced with some very difficult decisions with respect to manpower, the budget. We have to make some difficult decisions.

I would like to just ask your opinion, if we have to take certain cuts in pay—as has been done in the past, PCS moves, delayed promotions, cut bonuses, the amount for SRB's—would you prefer that we look at perhaps cutting the E-1 pay from the current level of $574 a month to, let us say, $474 a month in an effort to save $300 million so that just during that 10-week period that they are in boot camp instead of receiving $574 basic pay they might receive a little less, and perhaps continue with the program of the career benefits without cutting them back further?

Senator JEPSEN. May I add for perspective to that, remember you are not taking something away from somebody that they have already had because the new E-1 has never had it.

So, go ahead and answer it.

General LUKEMAN. I understand the addition, sir.

I believe that probably the better way to accomplish that would be to hold pay at its present level for privates and perhaps privates first class for a period of time. Even though the inflation has come down considerably, before very long we would be at about the same level that Mr. Principi described in his initial question as far as the effect on the overall budget is concerned.

The problem that I have with the suggestion is that even though the private is not getting that pay yet, we would be sending a signal that military pay is less for the potential recruit. I think that as things start to turn around and recruiting gets a little tougher, that might work against us.

Senator JEPSEN. Would anyone else care to comment on that?

General MITCHELL. I would, Mr. Chairman, like to comment on the observation of Mr. Principi.

The Army believes strongly that there will be a higher level of competition for the high-skilled youth in the years ahead. To reduce the level of comparability for competitiveness at the entry point, either for the young recruit or the young lieutenant would put the Army—if not the military in general—at a grave disadvantage in the years ahead.

VALUE OF GI BILL

Senator **JEPSEN**. One question I would like to ask each of the service representative about is the value of the new GI bill as a recruiting and retention incentive.

Would you support the new GI bill if it were partially funded by freezing entry level pay and enlistment bonuses, and recruiting, and advertising at current funding levels?

General **LUKEMAN**. Sir, I would like to state unequivocally that the Marine Corps would not.

Senator **JEPSEN**. General?

Mr. **MITCHELL**. The Army would not be attracted by that tradeoff.

General **HERBERGER**. The Navy would not be attracted.

General **PEEK**. Nor would the Air Force.

Senator **JEPSEN**. Well, how would you structure a new GI bill to discourage experienced personnel from leaving the military to use their educational benefits? Have you given any thought to this?

General **PEEK**. Mr. Chairman, in the Air Force we have considered this and we would foresee a two-tiered system that would enhance recruiting on the one hand, but equally, if not more important, be an incentive for retention.

A transferability feature would be an additional inducement to keep the people on board so they would not separate to take advantage of that accrued benefit.

Admiral **HERBERGER**. Mr. Chairman, our preference at this time would be an extension of the current GI bill beyond 1989 for about a 10-year period in order not to be an inducement for our career people to leave to take advantage of the GI bill.

That if there is a new GI bill enacted, that it would be structured to not penalize the career force. That is our concern with any GI bill. We do not want it to be an inducement to have people to pass through the service. We put too much in up-front training, there are too many costs associated with that in terms of dollars and time of our restricted resources.

It would not be to the Navy's best advantage to have a GI bill that would be an inducement for individuals to pass through the service quickly to go out to take advantage of that bill. So, our preference at this time is an extension of the current GI bill so that it does not draw our career force.

Senator **JEPSEN**. Yes, General Mitchell.

General **MITCHELL**. Mr. Chairman, the Army does not have any reason to believe that there is a strong pull worked by the GI bill to cause excessive exiting from the force, No. 1.

No. 2, we strongly support transferability.

ARMY COLLEGE FUND

Finally, it might be interesting to note that our experience with the fairly recently inaugurated Army College Fund program suggests that quite the opposite is taking place in that we are having young men and women sign up for the Army College Fund—which

I am sure you are familiar with—as a contributory proposition for longer initial enlistments than was initially expected.

Senator **Jepsen**. Does anyone else care to comment?

General **Lukeman**. Sir, this is a very difficult time for resources, and I certainly support a continuation of the present GI bill. The way things look today, I would rather see those kinds of dollars—and probably not nearly as many dollars as it would cost for a new GI bill—go into bonuses and basic pay.

Senator **Jepsen**. Does anyone have anything that they would like to offer or have put in the record before we recess your panel?

I thank each and every one of you for your input. The record will remain open if there are any members of the committee who may wish to submit questions for the record individually to you.

Thank you, gentlemen.

General **Mitchell**. Thank you, sir.

General **Peek**. Thank you, Mr. Chairman.

Senator **Jepsen**. The next panel, the representative from the General Accounting Office, Dr. Coffey, and Bob Hale from the Congressional Budget Office.

Again, your statements will be entered into the record as if read. I suggest you summarize your statements. You may proceed as you wish.

Dr. Coffey, again I wish to commend you for your detail and your expertise and interest affecting us in this. It is a pleasure to have you with us as always.

Dr. **Coffey**. Thank you, Senator. Much or most of all that is due to my colleague, Jim Johnson, who is sitting on my left. He has worked very closely with me in all of this.

Senator **Jepsen**. I welcome all of you to this subcommittee hearing. Dr. Coffey, you may proceed.

STATEMENT OF KENNETH J. COFFEY, ASSOCIATE DIRECTOR (MILITARY) FEDERAL PERSONNEL AND COMPENSATION DIVISION, GENERAL ACCOUNTING OFFICE, ACCOMPANIED BY JIM JOHNSON

Dr. **Coffey**. Thank you, Mr. Chairman.

We have views on four issues that I will briefly summarize.

PROPOSED PAY FREEZE

The first has to do with the proposed pay freeze. We think that to put this issue into proper perspective we need to define for discussion purposes the differences between comparable pay and competitive pay—these are key "buzz" words that we, the services, and others are using.

As we define them, comparable compensation applies to all elements of compensation not just basic military compensation.—MC—and it is comparable to that received by workers in comparable skills and experience levels in the civilian economy.

Competitive pay goes one step farther. It adds a possible adjustment in total comparable pay to take into account conditions of supply and demand and the advantages or disadvantages of military service.

Although the Department of Defense and the services have equated their pay policies in recent years to a quest for comparability, we believe that their decisions have fallen short of this in two areas.

First, they have limited their basis for a comparison for the most part to basic military compensation.

STANDARDS OF COMPARABILITY

Second, standards of comparability between the military and the private sector for equivalent levels of work, experience, and responsibility have never been established, although they were supposed to have been many years ago. Instead, very broad general comparisions are used.

Senator **Jepsen**. Can I interrupt you there?

Dr. **Coffey**. Surely.

Senator **Jepsen**. Are you inferring that the comparability because of the lack of consideration for other benefits, other than basic pay and so on, may be not as accurate?

Dr. **Coffey**. That is correct. We have done a study for Senator Exon of this committee which illustrates some of the items that are not included in this comparison.

We found, for example, that 62 percent of Navy and 56 percent of Air Force personnel receive additional pay, and most of those who do not receive additional pay live in Government-furnished quarters for which no rent is paid and which is not figured in the comparison equation.

So, 88 percent of Navy and 82 percent of Air Force officers—O-3 to O-6—receive additional pay, and it is averaging in excess of $3,000 a year.

These items have weighted the comparability equation in favor of the services. I believe that if you looked at all the elements, particularly if it included retirement values, the military career force would be far better off than their peers in the civilian economy.

Senator **Jepsen**. Is that true as of today?

Dr. **Coffey**. We believe so, yes, sir.

Concerning the proposed pay freeze, then, we believe that the commitment of the Department of Defense in recent years to sustaining comparability as they define it has resulted in a pay line that is somewhat higher than it would have been had all the elements been compared.

Another study we have done illustrates this point: We have surveyed Navy career personnel who have left the Navy in three types of skills, very competitive skills; skills that are hard to fill but not very competitive on the outside, and skills that are very easy to fill.

What we found was that whereas in 1980 military pay in all three of the areas was not really competitive with the outside, by 1982, due to stagnation in the civilian economy and a series of major improvements in military compensation, military pay had become even in aggregate more competitive than outside pay.

We feel that foregoing an across-the-board increase this year would help bring military pay more in line with market conditions, provided of course—and this is a very large provision—that the necessary occupational differences for critical skills are accomodated by continuing and perhaps even enlarged special pays.

Further, the evidence suggests that foregoing an across-the-board increase this coming year will not impact on recruiting and retention, but, again, however, only if the services are allowed to continue with their special incentive pays and they are judiciously managed—perhaps even funded at somewhat higher than requested levels.

This is what we suggest for your consideration in the area of basic pay.

Senator **Jepsen**. But do you then agree with Dr. Korb that then you should double your funds, so to speak, the increase in 1985?

Dr. **Coffey**. No. We believe that the pay line, the basic pay line, is too high and that there are still some excess amounts that can be allowed to stay constant until true pay line comparability is reached.

Once that pay line is reached, which would probably be in a year or two, from that point on we would expect that cost-of-living increases would be necessary.

Again, this is all in the context of having flexible targeted bonus authority to address those problems that are above and beyond the basic pay line.

BONUS FLEXIBILITY

Senator **Jepsen**. Do we have that bonus flexibility now, does that exist in your study?

Dr. **Coffey**. We do indeed. We have been pleased with the movement in this direction. We are not talking about a fundamental difference any more with the services, we are talking about more use of bonus authorities and somewhat less use of basic pay.

Senator **Jepsen**. Having said all this, do you believe that if we put in a regular, predictable method of adjustment for basic pay and allowances and we spend the next year working on that and put that in place in 1985, that that would be a pretty good idea?

Dr. **Coffey**. I think it would be, sir. But again, I do not believe that it would require a large catchup cost-of-living increase. I believe there is flexibility in the current pay line.

Senator **Jepsen**. I was not referring to this as a catchup. I was pretending a little bit on the basis of what you said. I was pretending for a minute, assuming that everything you have said with research and so on was accepted by everybody and that we then in 1985 installed a regular, predictable method of adjustment.

I guess first of all I should ask, do you believe that for basic pay and allowances you should have a regular, predictable method of adjustment?

Dr. **Coffey**. Yes, sir.

Senator **Jepsen**. Pardon?

Dr. **Coffey**. Yes, sir, we do. There should be a predictable standard of living that people in the service can look forward to.

Senator **Jepsen**. Do we have that now?

Dr. **Coffey**. We have more than that now, in our judgment.

Senator **Jepsen**. We have that standard of living, but do we have this formula? Do we have this predictability?

Dr. **Coffey**. We believe formulas other than those currently in use should be used for determining yearly adjustments in the basic pay lines. The services have proposed use of the ECI rather than their current informal linkage to the PATC. We think this is a step in the right direction, but we think that it should be used as a broad guide rather than a specific linkage.

Senator **Jepsen**. Could you explain that? I know in your written statement you said that you recommended that the employment cost index [ECI] be used as a guide for determining the size.

Why did you say "guide"? Why did you not leave that out and say to use it?

Dr. **Coffey**. First of all, the ECI is not a measurement of what the respective jobs are worth, it is a measurement of the changes that have taken place over time.

So that to make the ECI a relevant indicator, the services would have to be able, first, to equate the value of the service jobs to the civilian sector and, second, to do so on an occupational basis.

This was directed to be done many years ago when Congress made the temporary informal linkage to the civil sevice pay-setting mechanism, but it never has been done. If such action was taken, a determination of basic comparability would have been made.

Beyond this point, however, there still is a need to adjust pay on the basis of supply and demand. It may be that by paying what carpenters are worth in the outside economy, the services would not be able to attract the quality or numbers they need, in which case more pay should be granted.

So, we see use of the ECI as a starting point and we urge that it be used as a general guide, but that much more detailed research be conducted to determine how that money should be distributed.

Mr. **Principi**. What facts of military pay should be included in this comparison?

Dr. **Coffey**. There is disagreement between we at GAO and the services on the elements that would be included. The services are proposing that only BMC [basic military compensation] be related to equivalent factors in ECI. However, there are survey elements in the ECI that go beyond basic pay and include benefits and broader scale compensation. We believe that the broadest scale comparison possible should be made, and that all elements of compensation not just basic military compensation, be used for comparative purposes.

We think this is possible within the ECI but again under different ground rules than the services are proposing.

Mr. **Principi**. Every time we adjust military pay to the career force, do we necessarily have to adjust it by the same amount for your younger force, that is your E-1's and E-2's and E-3's? Is there a difference between the two in terms of comparability and competitiveness?

Dr. **Coffey**. Clearly, if we had the system we envision we would be able to evaluate comparable wages on the basis of not only occupations but years of experience and service, and we could foresee that there would be different predictable bases for different rank structures and occupations.

Senator **Jepsen**. You may proceed, Dr. Coffey.

Dr. **Coffey**. Fine. We have comments in the testimony on the GI bill which I call to your attention. I was delighted to see the reaction of the service representatives to your question on the GI bill. It is seldom that CBO, GAO, and the services agree, but we all seem to on the GI bill that at this time it is not necessary; it is not the most cost-effective way to address even expected recruiting and retention problems, and we all urge that it not be seriously considered at this time.

MILITARY RETIREMENT AND COLA

The last issue I have some brief comments on is the subject of military retirement and the COLA adjustment. We have noted, as have others, that there have been many commission efforts and study-group efforts to reform the military retirement system.

We have also noted that these have not been successful, primarily because the services have objected to the resulting force changes that would come from the reforms.

In our view, the key questions must be, first, what kind of force do we need to provide national defense security and, second, what kind of system do we need to provide that force.

It seems to me that the first question is being currently addressed, admittedly again, but perhaps with a greater chance for success, by the quadrennial review. They are attempting to get from the services their firm beliefs as to a baseline objective force. Then, they will use this objective force data in designating a reformed retirement system.

Our view is that this effort should be allowed to run its course, that no action be taken on the proposed COLA until and unless you are convinced that the resulting force changes would be in the interest of the country, and that this question should be driven not only by cost saving but also by the impact on the force.

We also note that the current restriction on COLA adjustments is in effect through the 1985 adjustment. So, there is some time for this issue to be addressed and we believe that quad review effort may well come up with an acceptable alternative.

We urge your delay and then consideration of their report.

[The prepared statement of Kenneth J. Coffey follows:]

PREPARED STATEMENT OF DR. KENNETH J. COFFEY, ASSOCIATE DIRECTOR (MILITARY PERSONNEL), FEDERAL PERSONNEL AND COMPENSATION DIVISION, GENERAL ACCOUNTING OFFICE

Mr. Chairman and Members of the Subcommittee: As always, I welcome the opportunity to appear before you to discuss those military compensation issues which are of concern to this committee. In previous appearances before you I have discussed the multifaceted nature of the services' manpower problems. As you know, we believe that the underlying questions that should be addressed in all compensation-related issues are: What are the most reasonable, cost-effective incentives or mix of incentives for achieving the military manpower objectives? And, do the incentives authorized provide military manpower managers with the necessary tools and flexibility to achieve the manpower objectives at the lowest possible cost?

Today, within the general framework of these guidelines, I will discuss some of the implications of the Administration's proposed freeze on basic pay and allowances; how this proposal may affect the concept of pay "comparability" versus "competitiveness" with the private sector; and questions raised about how military pay is annually adjusted. Also within this general framework, I will discuss our views on the congressional proposals for a new post-service educational assistance benefit program, and the Administration's proposal to make permanent the 50 percent limitation on retired pay cost of living adjustments (COLA) for military retirees under age 62.

IMPLICATIONS OF THE PROPOSED FREEZE IN BASIC PAY AND ALLOWANCES

The President has announced that for fiscal year 1984 he intends to ask military members to forego the scheduled across-the-board pay increase in basic pay, subsistence, and housing allowances; that is, a freeze of those three compensation elements which, along with the Federal income tax advantage on the non-taxable allowances, are known as Basic Military Compensation (BMC). DOD's initial planning assumption was that an across-the-board 7.6 percent increase in basic pay and allowances would be needed to maintain pay "comparability" with the private sector. The Pentagon estimates that foregoing this across-the-board pay raise will save about $2.9 billion in fiscal year 1984.

Although not directly offered in support of the pay freeze proposal, in recent weeks, the Secretary of Defense and other Defense officials have begun to use the phrase "competitive" rather than the more traditional "comparable" when discussing long-term goals for military compensation. Is the proposed pay freeze for fiscal year 1984 competitive rather than comparable? If so, what are the differences, and is the adoption of "competitiveness" as a compensation principle justified? These are the questions we will be addressing in this section of our presentation.

In conceptual terms, we see a distinct difference between competitive and comparable military compensation systems. For purposes of discussion, we offer these definitions.

"Comparable" compensation would equate all elements of compensation—not just Basic Military Compensation—received by military members to all the elements received by workers in comparable skills and experience levels in the civilian economy.

"Competitive" compensation would carry comparability one step further by adding a possible adjustment in military compensation to account for market conditions of supply and demand and the advantages and/or disadvantages of military service.

Although the Department of Defense and the Services have equated their pay policies of recent years to a quest for comparability, their decisions have fallen short of true comparability in two areas: (1) their basis for comparison with civilian earnings has generally been limited to Basic Military Compensation without a strict similar limitation on comparable civilian earnings, and (2) standards of comparability between the military and the private sector for equivalent levels of work, experience, or responsibility have never been established; instead broad general comparisons have been used.

The Rivers' Amendment, enacted in 1967, provided a tie between military basic pay and allowances and Federal white-collar pay—and thus an indirect tie to private sector pay changes via the Professional, Administrative, Technical, and Clerical (PATC) survey. However, it did not provide a direct tie to private sector pay, and, more importantly, it did not establish standards of comparability between the military and the private sector. The linkage established in 1967, was to be temporary until military pay standards could be developed and, in essence, it merely assured that whenever Federal white-collar pay would go up, military basic pay and allowances would go up by a like percentage. The temporary linkage, however, did not take into account the many other components of military pay.

What often confuses this issue even further is the notion that the extraordinary increases in basic pay and allowances of 1971 and 1972, made in preparation for the All-Volunteer Force, somehow made military pay comparable to private sector pay. This simply is not the case. These raises made military pay more competitive, but standards of comparability for equivalant levels of work, experience, and responsibility were not established at that time, and have not been established to this day. Interestingly, the Gates Commission report, which formed the basis for justifying the large 1971 and 1972 pay raises, showed that total military compensation for enlisted members with 5 or more years of service and for officers with 4 or more years of service, already exceeded total private sector civilian compensation by substantial percentages.

In stating that military pay should be "competitive" with private sector pay, Defense officials have included the total military pay package; that is, BMC plus the long list of other special and incentive pays and allownaces service members receive. While, in theory, the pay package in its entirety should have been included in any past discussions of "comparability," usually it was not.

To illustrate the value of the pay elements that should be added to BMC in order to calculate a true comparability basis, I will use the preliminary results of a study we are doing at the request of Senator Exon. One objective of this study is to determine what proportion of the force receives some type of pay in addition to BMC, and how much this additional pay is worth. The services know and can provide data, for example, on how many people receive variable housing allowance, how many receive sea pay, how many receive bonuses, etc. However, what they have not quantified up to now is how many members may be receiving several of these pays, and how much the additional pays are worth in relation to BMC. What we found provides some very useful insights when considering the issue of what pay elements should be included in "comparable" or "competitive" pay. For example, our study shows that:

62 percent of Navy and 56 percent of Air Foirce personnel receive some additional pay, and most of those who do not receive additional pays live in Government-furnished housing for which no rent is paid.

68 percent of Navy additional pays exceed $1,200 per year.

88 percent of Navy and 82 percent of Air Force 0–3 to 0–6, receive some additional pays with 56 percent and 40 percent, respectively, receiving at least an additional $3,600 per year.

81 percent of Navy E–5s through E–9s receive additional pay, 35 percent of whom receive at least $2,400 or more per year.

I have included as an appendix to this statement several illustrative examples of what these additional pays are worth for Navy and Air Force members at various grade levels. Army was not included in this analysis because their data was incomplete.

In our opinion, the concept of "competitive" pay, as currently being discussed by Defense officials, helps one to focus more clearly on total military pay, and on whether the mix of pays, allowances, and other incentives being offered are efficiently and cost-effectively addressing specific manpower problems. As I have testified before, we believe that the entire pay package should be considered in its totality, not on a piece-meal basis, and that one should strive to include in the pay system as many of the "ideal" ingredients of a good management system as possible. We believe that the shift in emphasis to "competitive" military pay is a step in this direction.

What, then, does this discussion of pay "comparability" versus "competitiveness" mean in the context of the President's proposed freeze on BMC? The evidence suggests that foregoing an across-the-board increase in basic pay and allowances will not have a serious adverse impact on the services' ability to attract and retain the quality and quantity of people they need to meet the manning requirements for the various occupational specialities. At the present time some military occupations are being overpaid as compared to what relevant labor market conditions would indicate, and, without supplemental pays and bonuses, others would be underpaid. A study we currently have underway demonstrates this point. We found that mid-level career Navy personnel who left those generally easy-to-fill Navy occupations during the first quarter of fiscal year 1982, took an average pay cut of $5,900 per year in their first civilian job out of the Navy. However, those leaving highly technical jobs took only a relatively small cut when they left the Navy. In contrast, in 1980, our study found that military pay was not competitive for either group. This suggests that in some areas the large increases and other changes in military compensation—such as the addition of the variable housing allowance—have raised service compensation from below comparable civilian pay to substantially above for some occupations.

In general, the across-the-board philosophy for setting and adjusting pay has resulted in a BMC pay line that is higher than necessary in some areas. In our opinion, foregoing an across-the-board increase in BMC this year would help bring military pay more in line with market place conditions, provided of course that the necessary occupational differences are accommodated by targeted special pays. As you may recall, because of the tight budgetary situation last year, we suggested that a portion of the resources being considered for a general pay raise be targeted to those areas where manpower shortages exist. We suggested that this could be done through existing manpower management programs, such as the selective bonus programs or through a greater use of proficiency-type pays. We believe that the President's proposal not to increase the BMC components of pay this year is consistent with our view that available resources should be targeted to where they are most needed. Although we have had concerns and disagreements with the services from time to time about how they manage and use these special and incentive pays, including the bonus programs, we fully support them in concept and urge that they be adequately funded.

PAY ADJUSTMENT MECHANISM ALSO MERITS DISCUSSION

An appropriate mechanism for periodically adjusting military pay levels should be part of any discussion concerning military compensation, and "competitive" or "comparable" goals. As I have explained, the current mechanism—that is, the indirectly link of BMC to private sector pay changes—was intended to be temporary until military pay standards could be developed and agreed upon. Unfortunately, standards have not been developed, and the temporary indirect linkage to the PATC index via Federal white-collar workers remains. However, over the past couple of years, the military has been urging that a direct linkage be established between the cash elements of BMC and the Employment Cost Index (ECI). The military would prefer the ECI as the direct linkage adjustment mechanism over PATC or other indices on the grounds that it is more reflective of a broader range of military occupations.

We support the military proposal that its pay adjustments be permanently delinked from civil service pay adjustments, and we agree the ECI is preferable to PATC or other available indices. However, we do not support the proposal that only one element of military pay, namely BMC, be tied directly to an index, including the ECI. Instead of directly indexing one military pay component, we believe that it would be more desirable to use the ECI as a guide for determining the size of the total "competitive" compensation pie, while at the same time giving the Secretary of Defense the authority to allocate the money to those areas where it is most needed to enable the services to compete with private industry for their manpower needs. (This is similar to a recommendation contained in the 1978 report of the President's Commission on Military Compensation.) If, however, the ECI is to be used as the firm basis for adjusting "comparable" military pay, the entire military pay package should be brought into the equation rather than using a multi-dimensional index to adjust only one dimension of military pay.

IS A GI BILL NEEDED TO ADDRESS RECRUITING PROBLEM?

Proposals to reinstate a GI Bill—but based on recruiting and retention needs rather than rewards for difficult service—also will be considered by this Committee in the forseeable future. In this light, then, are there manpower problems facing the services that could be cost-effectively addressed and corrected by new post-service educational benefits?

Since the inception of the AVF, the Active Force has never been more than about 1.5 percent below their total funded authorized strength and only rarely have the services failed to meet their quantitative recruiting goals. There have been serious reserve shortfalls, but in the Active Force there has been no across-the-board problem recruiting the right aggregate number of people—a problem that might call for an across-the-board solution. Instead, we find that recruiting a sufficient number of high-quality men to serve in the enlisted ranks and willing to serve in combat occupations or with the aptitude needed for certain highly technical jobs has been a serious problem, primarily for the Army.

As a result of these problems, experiments have been conducted with more generous versions of the Veterans Educational Assistance Program (VEAP), numerous proposals for a GI Bill were introduced and debated at length in the 96th and 97th Congresses, and proposals have been introduced in this Congress, including S. 8, S. 691, and S. 667.

Given the nature of the services' manpower problems can an educational assistance benefit program be justified on grounds of cost efficiency and effectiveness? A comparison of several key components of the proposed programs with an "ideal" management system provides useful insights.

Under most educational assistance proposals, including S. 8, S. 691, and the proposed VEAP enhancement (S. 667), Defense managers would not have the authority to apply or remove the incentive on a timely basis as the high-quality recruit problem increases or decreases, as it has over the past 6 years. Also, Defense managers generally would not have the authority to target the basic incentive to the specific problem area—a particular service or particular skills—thus reducing its cost-effectiveness. Managers would not have the flexibility to adjust the basic incentive as conditions change, and problems in Defense's information feedback system would prevent managers from knowing just how well the incentive might be working. Further, while S. 8 contains a provision for evaluating its continued need on a periodic basis, a GI Bill could soon become institutionalized and looked upon as a "right" rather than as an optional incentive.

Because the "incentive" would be paid to many people who would not need it to join or stay in the service, much of the expenditure would be unnecessary. For example, if a GI Bill were to be enacted which was limited to high school diploma graduates, the supply of such people could be expected to increase by 5 to 10 percent. In other words, to attract every 21st or possibly 22nd quality recruit, the incentive would be paid to 20 others who could be expected to enlist without it. As a consequence of this, the cost per additional quality enlistee would be very high.

One important feature of S. 8, which has not been part of most other GI Bill proposals, including S. 691, is that it requires the President, upon the recommendation of the Secretary of Defense, to activate the bill after taking into account (1) the projected cost of the improved benefit program, (2) the services recruitment and retention experience and projected experience, and (3) the cost of other alternatives for improving recruiting and retention. Thus, because of the services recent recruiting and retention successes, at least in the near term, even if S. 8 were enacted, it is not likely that it would be activated. However, this feature, as we read it, does not require a clear finding and determination that the improved educational benefit be used only if it is the most cost-effective alternative incentive for achieving the recruiting and retention goals.

S. 8 also contains a provision for deactivating the program after taking into account the same conditions considered when the program was activated. Again, this is a very positive feature of this bill; however, as you know, programs of this nature are often difficult to stop once begun, regardless of whether they can continue to be justified on a cost-effectiveness basis.

In contrast to most previous GI Bill proposals, S. 8 and S. 691 also contain provisions for career personnel to retain their educational assistance rights until they are discharged,thus countering pressures to leave the service in order to "use or loose" their rights. The Supplemental Educational Assistance feature of S. 8 also would encourage first-termers to extend or to reenlist in order to gain the additional benefits. This could be a desired phenomenon in most cases, but may not be the most cost-effective method of gaining such additional service.

Another positive feature of S. 8 which has generally not been found in other GI Bill proposals is that the educational benefits would be paid for by the Department of Defense rather than by the Veterans Administration. This should encourage Defense managers to consider the cost of educational assistance along with that of other available incentive options and through this tradeoff analysis process help the services choose the most cost-effective incentive. An additional feature not in this proposal which would further encourage Defense managers to make realistic tradeoff analyses would be to adopt an accrual accounting approach so that future liabilities would be more clearly reflected in the current budget. S. 691 would also require Defense rather than Veterans Administration funding, but under this proposal, Defense managers would not have the option of using the most cost-effective incentive since this bill, if enacted, would become effective on a specific date contained in the bill.

Consideration of S. 667—a bill which would require the Government to contribute $3 rather than $2 to the basic VEAP for each $1 contributed by the service member—also should be guided by an evaluation of its impact on the recruiting marketplace, its need, and whether alternative programs would meet the manpower demands of the services in a more efficient and cost-effective manner.

Concerning the need for a VEAP enhancement, all the services have reported that the basic VEAP program has had only minimal effect on recruiting. This is consistent with the findings of a March 1982 congressional Budget Office study which reported the basic VEAP (without kickers) offers very little recruiting improvement. In constrast, however, the Army has reported great satisfaction with Ultra-VEAP, a program which allows up to $12,000 in bonuses to be added to the $5,400 contributed by the Government under the basic VEAP program. Of the four services, only the Army uses the Ultra-VEAP authority.

Because of the requirement for a service members' contributions under VEAP and the negative impact of this on participation rates, the overall cost of VEAP—even with the proposed enhancement—would likely be less than the cost of other proposed GI Bills. Despite such lower cost, however, the question that should be addressed concerns the need for the VEAP program. As recent history shows, only the Army of the four services has had major problems in attracting high-quality recruits, and they have been able to counter these with the use of Ultra-VEAP and other incentives. Accordingly, we see little need at this time to enhance the basic VEAP benefit. We also see little justification at this time for enactment of GI Bill authorization legislation.

SHOULD THE LIMITATION ON RETIRED PAY COLA BE MADE PERMANENT?

The committee also is likely to consider the President's 1984 budget proposal to make permanent the limitation on cost-of-living adjustments (COLA's) for nondisability military retirees by allowing one-half of the full COLA increase for retirees under age 62. At the present time there is a temporary 50 percent COLA limitation for retirees under age 62 which applies to the fiscal years 1983 through 1985 adjustments.

The military retirement system has been a prime target for budget-cutting because of (1) its enormous cost—$17 billion for fiscal year 1984, projected to grow to $34 billion by 1994—and (2) the perception that the system provides more generous benefits than necessary—members may retire at any age upon completing 20 years of service and, up to 1983, retired pay was fully indexed to changes in the Consumer Price Index (CPI).

Over the past decade, at least five major commissions or study groups have recommended changes to the military retirement system, the most recent being the President's Commission on Military Compensation in 1978. However, the services have generally supported the current system, which is essentially geared to a 20-year career, because (1) they believe it insures a stable supply of experienced personnel and (2) it supports the up-or-out promotion system. They have generally been able to fend off reform proposals on the basis that the studies and reviews have not adequately addressed what they consider to be the underlying reason for the current retirement system structure—that is, that the system must remain responsive to the management of the active force in support of defense requirements. In short, the services' view is that the current retirement system provides their desired force profile, and they argue correctly that any changes in the retirement component of the compensation system will have some affect on their age/experience profile. However, in our opinion, the question the services have not satisfactorily addressed to date is whether the force profile produced by the current compensation system is the most effective or whether different profiles, supported by a different retirement system, would be more effective and less costly. The lack of agreement regarding the force profile has been the underlying reason why fundamental reforms of the military retirement system have not been made despite the many commission and study group recommendations.

We believe that the current military retirement system does not necessarily produce the most effective force profile at the least cost. The current system causes active duty members to make career decisions which are not always in the services' best interest, both in terms of causing too many people to stay at some career points, and not enough at others. However, we have also recognized that major changes to the retirement system which substantially reduce life-stream earnings of active duty personnel should not be made without a full understanding of how such a change will affect the force profile.

There is little question that the proposal to limit permanently the COLA increase for retirees under age 62 to one-half of the CPI would reduce the life-stream earnings of active duty personnel. For example, the purchasing power of a typical E-7 retiring at age 41 would be reduced by 46 percent by age 62 and that of the typical 0-5 retiring after 20 years of service would be reduced by about 40 percent. What is not known, however, is how this change in the retirement system would affect active duty members' career decisions and whether the cumulative effect of members' career decisons would produce a more or less effective force at a higher or lower cost. GAO has suggested in the past that annual COLA increases for both Federal civilian and military retirees could be limited to something less than the full CPI increase. However, we also recognized that such decision should not be made without first knowing the full consequences of the action.

The Fifth Quadrennial Review of Military Compensation (QRMC), currently underway, is conducting an overall review of military retirement. We have been informed that an initial step in this process is to obtain from the individual services their views as to what the objective force profile should look like; that is, in an environment unconstrained by the current systems, what would be the composition of an "ideal" baseline force. This involves questions about the most desirable number of career personnel in all year-of-service groups, including the ideal number that should be retained beyond 20 years of service. We are encouraged by the QRMC's efforts, but we should call to your attention that other groups' attempts to reform the military retirement system have faltered—in the final analysis—on the unwillingness of the services to fully accept the resulting force profile changes. Consequently, we are hopeful—but not confident—that the QRMC will produce the desired changes. If they do, it is likely that the changes will be more defensible from a force manning perspective than the proposed COLA cap; if they fail, enough time will remain before the current cap expires for alternative actions. Accordingly, we believe that the Committee should defer any decisions on the legislative proposal to make the 50 percent COLA cap permanent until the report of the QRMC is available and there is time to complete any follow-up analysis.

SUMMARY

Mr. Chairman, we have covered a number of interrelated compensation issues this afternoon, all of which I discussed in the context of the compensation system structure which allows and encourages military managers to use the most cost-effective mix of incentives available for achieving their manpower objectives. Implicit in the concept of using cost-effective incentives is the need for Defense managers to (1) identify the specific manpower problems that need to be solved, (2) perform tradeoff analyses among the alternative solutions, and (3) have the authority to select the most efficient and cost-effective mix of monetary and non-monetary incentives.

In summary, then, we believe that:

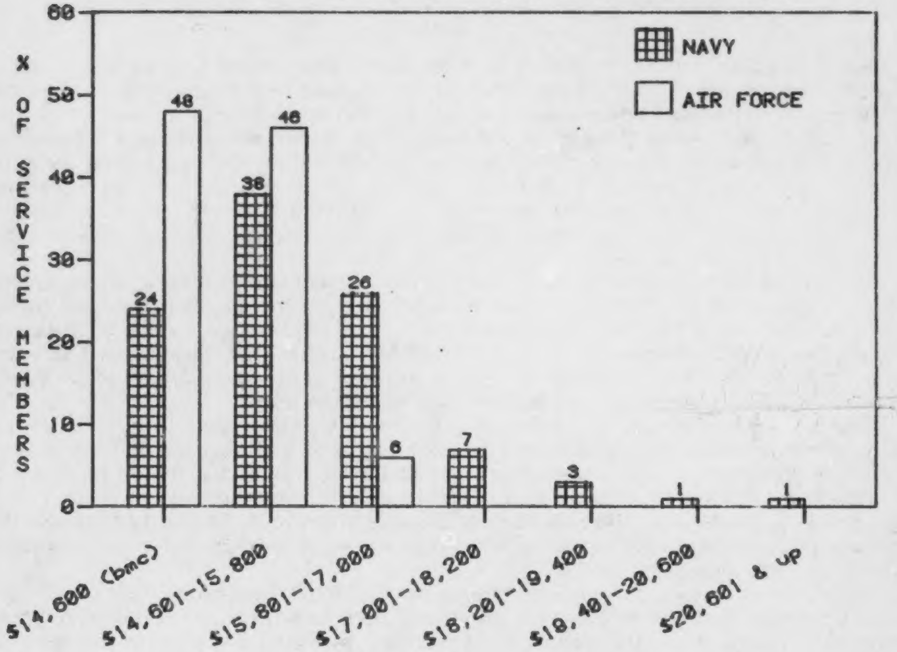
The President's proposal to freeze the BMC components of military pay is consistent with our position that the current base pay line is already generally competitive with private sector pay and that, where pay is not competitive, available resources should be targeted to specific manpower problem areas. This means that the selective bonus and other incentive programs must be judiciously managed and adequately funded, perhaps even at higher than requested levels.

The proposal to permanently de-link military pay adjustments from civil service pay adjustments should be adopted, but the proposal to link only one element of military pay, namely BMC, to pay changes in the private sector should be rejected. Instead, the ECI should be used as a guide for determining the size of the total compensation package, with the Secretary of Defense given more authority to target the money in order to enable the services to compete with industry on an occupational basis for their manpower needs.

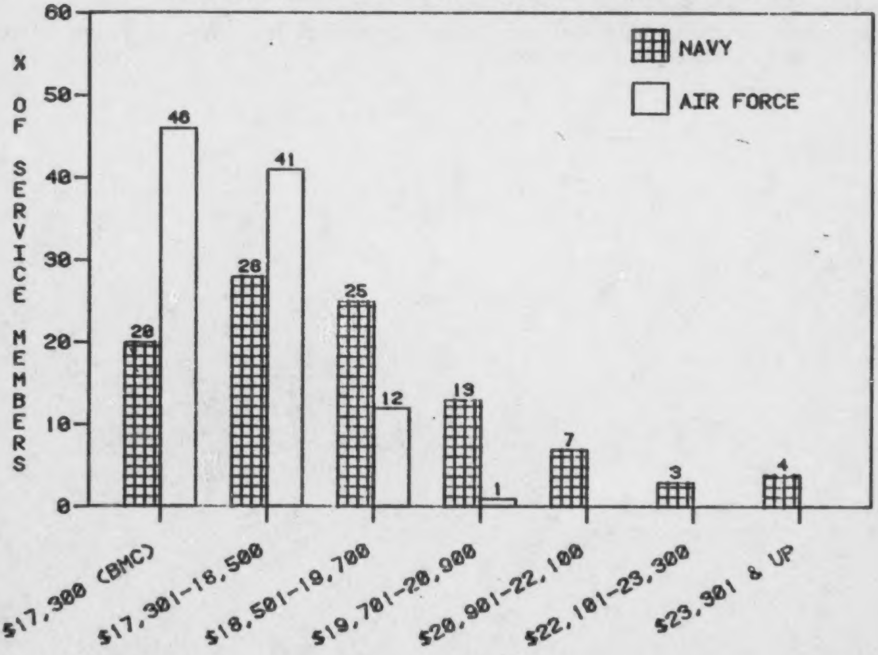
Given the nature of the services' manpower problems, the inflexibility of most GI Bill proposals, and the relatively high cost of such programs as compared to other available recruitment and retention incentives, we see little justification at this time for either a new educational assistance benefit program, or an increase in the Government's contribution to basic VEAP.

In light of (1) the current work of the Fifth QRMC in reviewing the total military retirement system, and (2) the fact that a temporary 50 percent limitation on COLA for retirees under age 62 will be in place through the 1985 adjustment, action to make this limitation permanent should be deferred until the report of the QRMC is available and its recommendations evaluated.

Mr. Chairman, this concludes my formal statement. We would be happy to respond to any questions you may have.



NAVY AND AIR FORCE-GRADE E-4
PERCENT RECEIVING SELECTED PAY ITEMS--INCLUDING VHA--
IN ADDITION TO BASIC MILITARY COMPENSATION (BMC)



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PERCENT RECEIVING SELECTED PAY ITEMS--INCLUDING VHA--
IN ADDITION TO BASIC MILITARY COMPENSATION (BMC)

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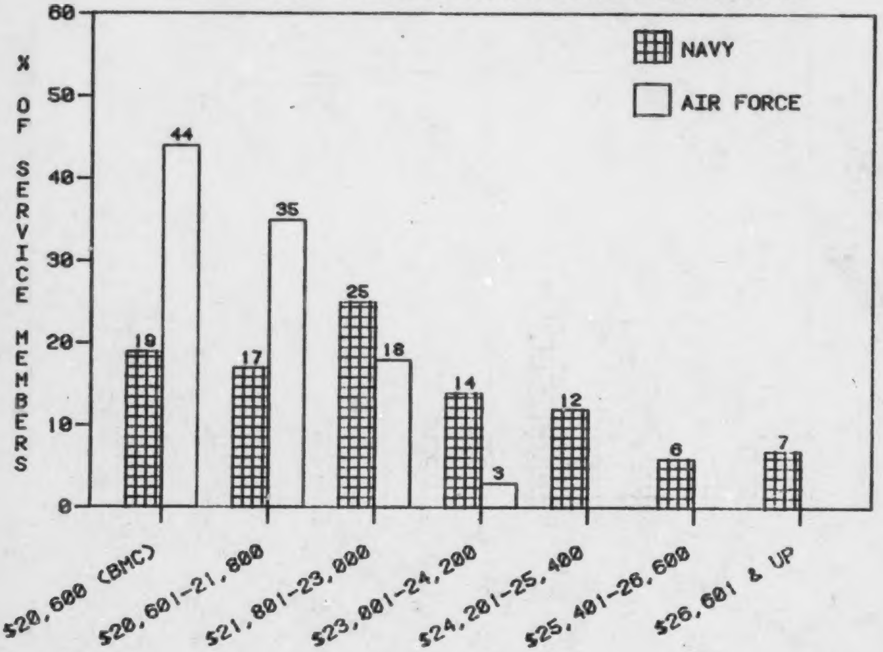
PERCENT RECEIVING SELECTED PAY ITEMS--INCLUDING VHA--
IN ADDITION TO BASIC MILITARY COMPENSATION (BMC)



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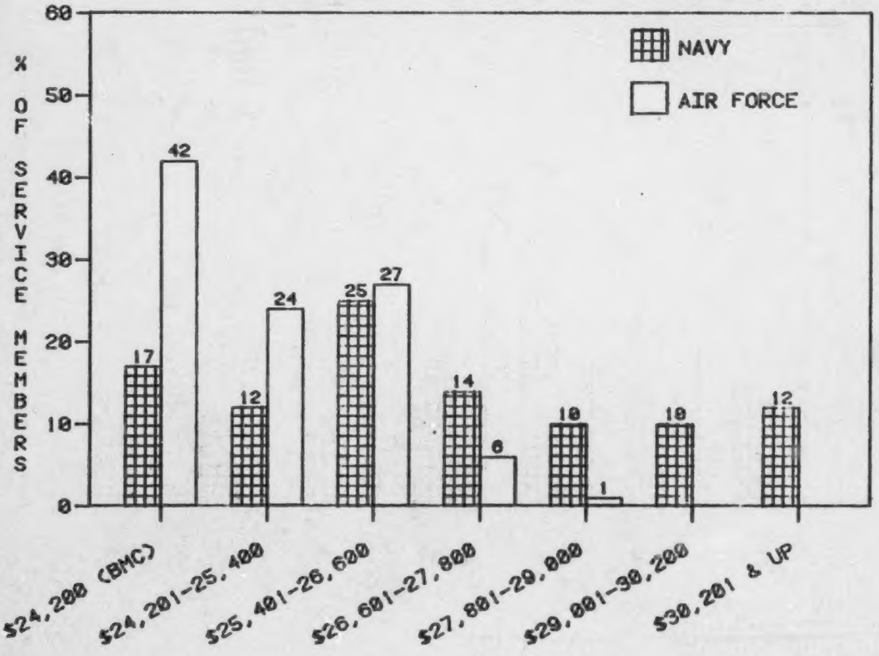

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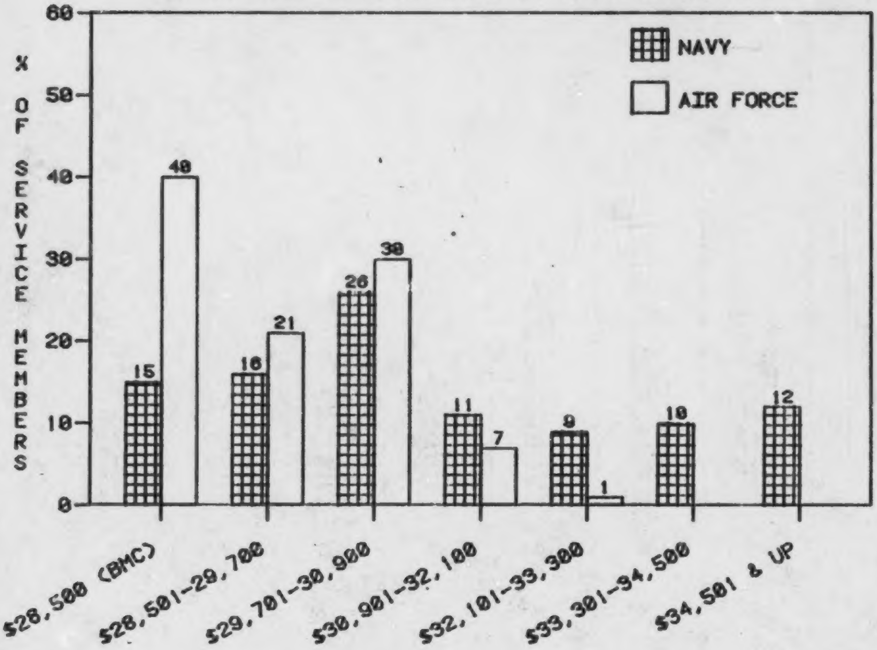

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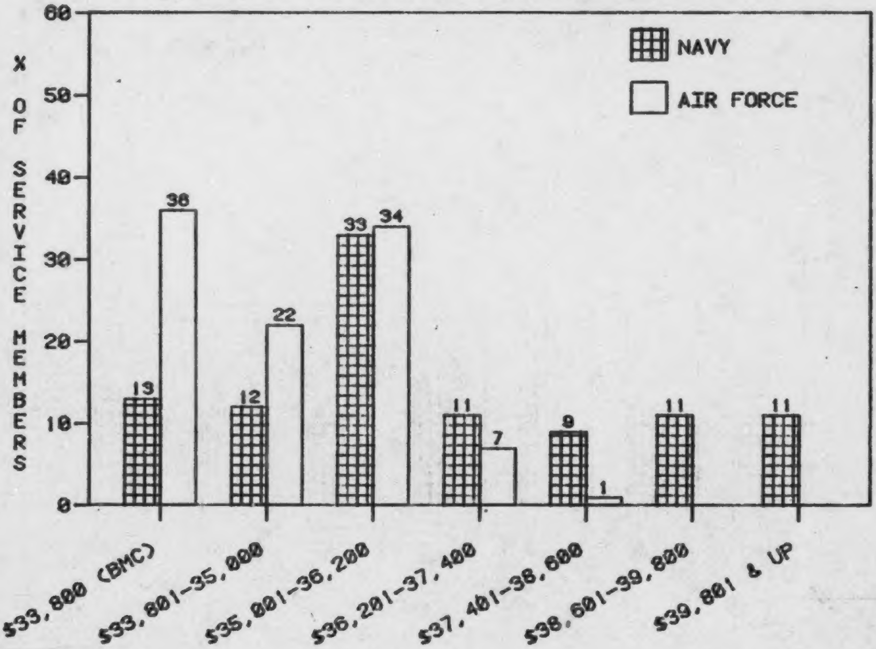

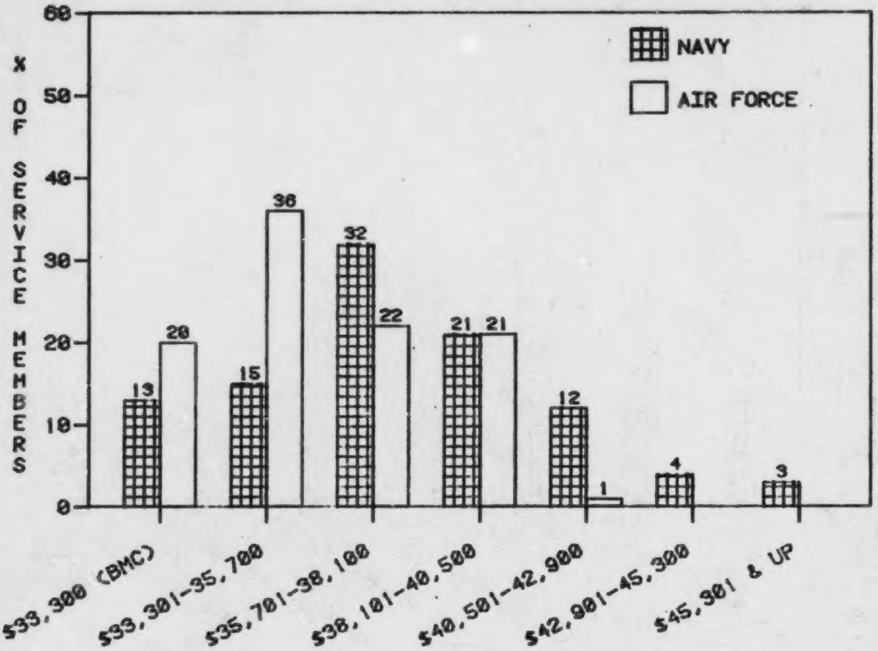

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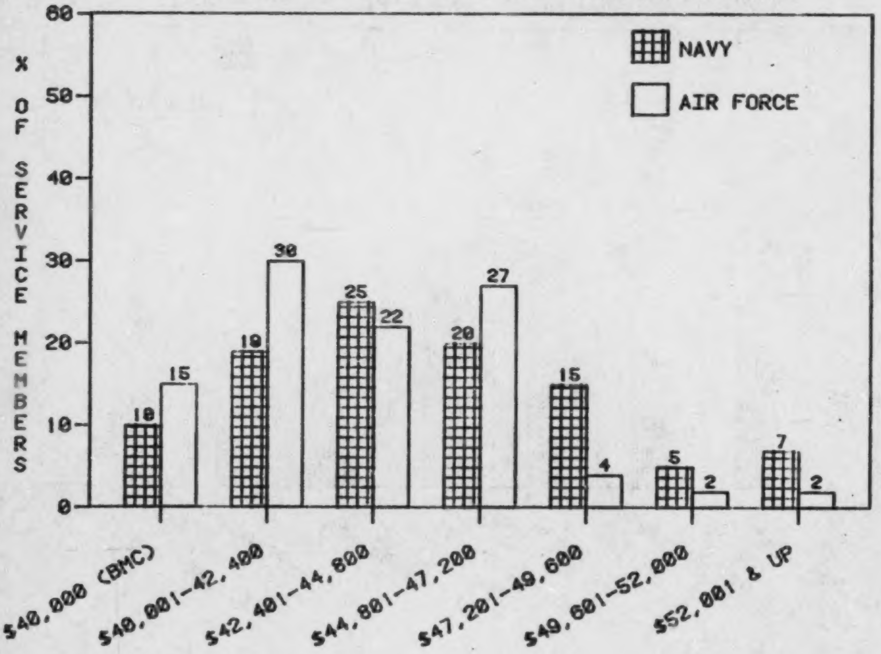
PERCENT RECEIVING SELECTED PAY ITEMS--INCLUDING VHA--
IN ADDITION TO BASIC MILITARY COMPENSATION (BMC)



NAVY AND AIR FORCE-GRADE O-4
PERCENT RECEIVING SELECTED PAY ITEMS--INCLUDING VHA--
IN ADDITION TO BASIC MILITARY COMPENSATION (BMC)

NAVY AND AIR FORCE-GRADE O-5
PERCENT RECEIVING SELECTED PAY ITEMS--INCLUDING VHA--
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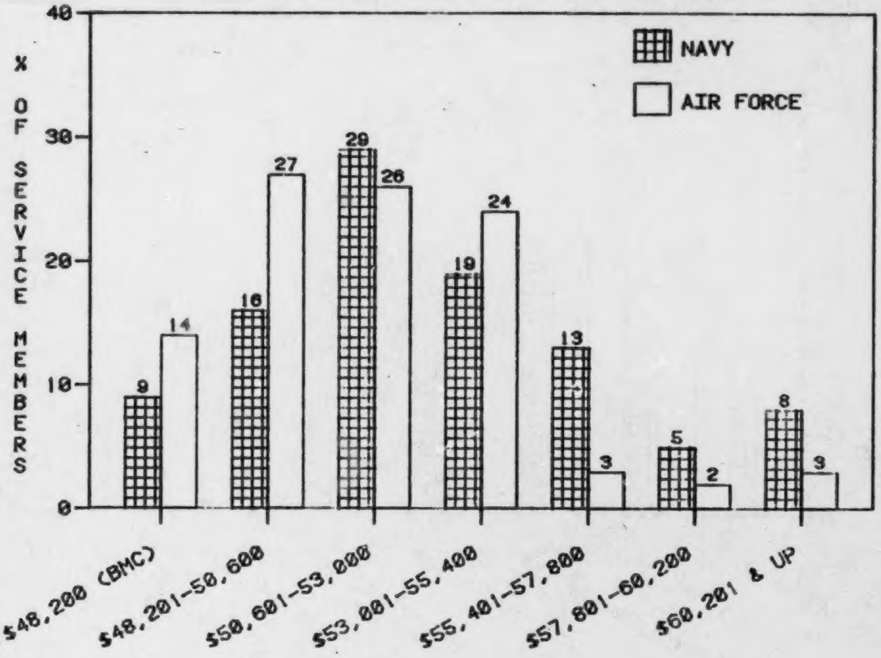

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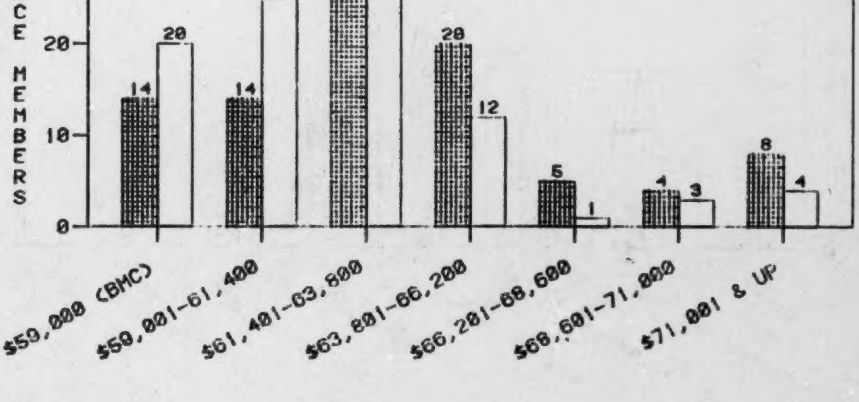
IN ADDITION TO BASIC MILITARY COMPENSATION (BMC



Senator **Jepsen**. Mr. Hale, you may proceed.

STATEMENT OF ROBERT E. HALE, ASSISTANT DIRECTOR, NATIONAL SECURITY AND INTERNATIONAL AFFAIRS, CONGRESSIONAL BUDGET OFFICE

Mr. **Hale**. Thank you, Mr. Chairman, I appreciate the opportunity to testify.

I will cover some issues you have heard about before—military pay raises, educational benefits, and retirement. I will briefly summarize the first two and will say a bit more about the last one. I think we have some results on retirement that may be of interest.

I will focus on the effects these benefits have on recruiting and retention, which we would urge on the committee as the most comprehensive way to assess what you should do about pay. It takes into account both the demand side, if you will, and also comparability and competitiveness of pay. I realize you have to take into account morale and equity as well.

On the pay issue, our analysis suggests that even with the freeze recommended by the Administration, recruiting and retention in 1984 would remain at or near historical highs in all the services. It is really quite remarkable: the Army will take in 90 percent high school diploma graduates in fiscal year 1984, compared to 50 percent just a few years ago and around 70 percent in the draft era.

A pay freeze would dim the outlook for recruiting and retention beyond 1984, however. Thus, the Congress might decide that it wants a steadier pay raise policy and I think that is really the issue before you now, whether you want a steady policy. To grant a raise in 1984 would, of course, mean added costs. The Tower-Jepsen legislation would add about $600 million to 1984 costs.

Senator **Jepsen**. You mean by a "steady" policy the same thing we talked about when we said to have a regular, predictable method of adjusting the pay?

Mr. **Hale**. I would distinguish between policy in 1984 and the method, Mr. Chairman. I am not confident that you will ever find a method that people will not want to tinker with as they see recruiting or retention effects changing. As for policy in 1984, the question is whether you want to use the occasion of the very high recruiting and retention we are getting right now to give a zero raise—which you could do without adversely affecting recruiting and retention in 1984, although it would dim the outlook beyond 1984—or whether you want a steadier policy that would grant a modest raise in 1984, looking toward possible problems in coming years.

Senator **Jepsen**. I do not mean to pursue semantics, but what is the difference between steady, and regular, and predictable?

Mr. **Hale**. Well, I guess I was simply trying to suggest that you will never come up with a method that the administration and the Congress will not want to change if they see recruiting or retention being very good.

Senator **Jepsen**. But evenhanded, a commonsense, steady approach.

EDUCATIONAL BENEFITS

Mr. **Hale**. The Congress may also be faced with a decision about improving educational benefits. With recruiting at record levels, no added incentives are needed now to meet manning goals.

If recruiting problems develop in the future, the Congress should be aware that broad, noncontributory educational benefit programs, while they would improve recruiting, could eventually cost a billion or more dollars a year in personnel costs and about $200,000 for every added high-quality recruit.

Those results would apply only in part to more complex proposals like S. 691 that has been proposed by Senators Cohen, Armstrong, and others.

More narrowly focused improvements like the one Senator Simpson has proposed, S. 667, would still cost about $100,000 per added high-quality recruit. By contrast, targeted enlistment bonuses or more recruiters could attract additional high-quality recruits at a cost of $20,000 to $40,000 each.

Yet another choice that you may face involves military retirement. For many years concern has been voiced about the cost of the system. For those on active duty—just to give you an example—costs equivalent to about 50 percent of annual basic pay would have to be set aside to fund future retirement costs fully.

There has also been concern that the retirement system offers too strong an incentive to get out after exactly 20 years. Also, it doesn't offer much incentive to stay in at the first reenlistment point.

There is no lack of proposals to correct these problems. Five major studies have been made since 1969, and another is under way. The proposal that is before you—the half-COLA proposal that the Administration may submit—is one that we have analyzed. In doing that—since we do not have actual legislation proposed by the Administration—we have assumed a permanent half-COLA, no minimum raises such as were put in the law last year, and long-term growth in the consumer price index of 4 percent a year.

Under those assumptions, half-COLA would save money. Relative to current law, savings in today's dollars would total about $2 billion in the period 1984 to 1988. By the year 2000, annual savings might be $2 billion to $3 billion in today's dollars—that is, about 10 to 15 percent of nondisability retirement costs. Savings would continue to grow beyond the year 2000.

There would also be a shift in the pattern and the level of retention. A higher fraction of persons would leave the military after about 10 years of service than would be the case under a system featuring full COLA's. But a higher fraction of those who did remain for 20 years would want to remain past 20 years—as Dr. Korb said—in order to minimize the number of years spent receiving half-COLA's.

On balance, the total size of the career force in the mid-1990's should be about 5 percent smaller under a permanent half-COLA provision than with the full COLA's.

Senator **Jepsen**. Excuse me. Do you, in research what you project costs on when you are talking about retirement, do you figure in COLA's?

Mr. **Hale**. Oh, yes, they are a key element of what drives costs.

Senator **Jepsen**. How long have COLA's been in existence?

Mr. **Hale**. I think the automatic cost-of-living adjustment goes back to the late 1960's, if my memory serves me correctly.

[Note: Automatic COLA's first were introduced in 1963.]

Senator **Jepsen**. The late 1960's.

Mr. **Hale**. That is right, somewhere in there.

Senator **Jepsen**. So that a career person who has been in the service for 14, 16 years, was not promised those at all; was he?

Mr. **Hale**. That is one way to look at it.

Senator **Jepsen**. Pardon?

Mr. **Hale**. That is one way to look at it. He came in before they were in effect, that is certainly true. On the other hand, it would be fair to note that the cost of living was going up in the 1960's at rates of 1 and 2 percent while rates have been much, much higher in recent years. So, the situation has changed.

Senator **Jepsen**. Well, the statements are made often about the fact that you would lose retention and you would be reneging on what was promised on retirement. Those who talk the most, are most concerned of course, are the ones closest to retirement, say within 8 or 10 years. All of those within 8 or 10 years of retirement were not promised that; were they?

Mr. **Hale**. That is true for those about 15 years or so from retirement.

Senator **Jepsen**. Pretty close?

Mr. **Hale**. Pretty close.

Senator **Jepsen**. Not quite?

Mr. **Hale**. Well, if automatic COLA's came into being about 1965, it would be those with more than about 5 years of service now who would have come in at a time when automatic cost-of-living adjustments were in effect.

In the early years of automatic COLA's, however, there were no adjustments under those provisions because the cost of living was not going up very much. So they really did not start being regular, sizeable adjustments until the 1970's. By that measure you are right.

Let me continue with my prepared statement. Congress might also consider some alternatives if you take up the half–COLA approach. Adding a catchup raise at age 62 to the half-COLA would restore the annuities of older retirees and minimize the adverse effects on retention, although it would add costs.

Other provisions could be added to minimize the inherent disadvantage that under a half-COLA real retirement earnings depend on future fluctuations in prices. I think that is one of the major disadvantages of the half-COLA approach.

Of course the Congress could take an entirely different approach and achieve similar effects on cost and retention of the half-COLA, and do so by changing the fraction of basic pay that persons receive after completing careers of varying lengths. Studies have provided numerous examples of how to do this.

The administration, I might add, has also proposed some very important changes in the way the Federal budget accounts for military retirement. Right now the defense budget only reflects payments to those already retired. The administration would change the accounting procedures to reflect liabilities being incurred today to pay future retirement. The same thing, I might add, that is required of private-sector plans.

Senator **Jepsen**. I was going to say, that has been an acceptable accounting procedure for years.

Mr. **Hale**. I believe it is required by law under the ERISA legislation. By making those costs visible, the so-called accrual accounting provisions should help in an effort to economize on manpower resources and improved management. For this reason, the principles of accrual accounting have been recommended by many studies, I believe, by GAO and also by CBO.

In sum, Mr. Chairman, a wide array of issues are before you. Some of those proposals offer opportunity for savings and that guarantees them some popularity in this budget season.

Changes in compensation, though, must also be addressed in light of their effects on recruiting and retention, which again I would urge as the key criterion, lest we revisit in the next few years the major manning problems that we had in the late 1970's and 1980's.

Thank you. I will be glad to answer any questions.

[The prepared statement of Robert F. Hale follows:]

PREPARED STATEMENT OF ROBERT F. HALE, ASSISTANT DIRECTOR FOR NATIONAL SECURITY AND INTERNATIONAL AFFAIRS DIVISION, CONGRESSIONAL BUDGET OFFICE

Mr. Chairman, I appreciate the opportunity to testify on military compensation issues. In this and the next several years, the Subcommittee faces difficult decisions about a wide variety of compensation issues that will affect defense spending. My testimony today will focus on three key issues: military pay raises, educational benefits, and military retirement. I will assess the effects of alternative decisions on costs and on the ability to recruit and retain needed military personnel. Your decisions will also have important effects on morale and equity, which I realize you must weigh along with the cost and manning implications.

SUMMARY OF FINDINGS

One key decision regards future pay raises. Our analysis suggests that, even with the 1984 pay freeze recommended by the Administration, recruiting and retention in 1984 would remain at or near historical highs in all the services. But a pay freeze would dim the outlook for recruiting and retention beyond 1984. Thus, the Congress could decide on a steadier pay raise policy and grant a raise in 1984, though at added cost. The raise proposed in the Tower-Jepsen legislation would cost $600 million more in 1984 than would the freeze but would improve recruiting and retention.

In the longer run, the Congress cannot regularly hold pay raises below those in the private sector and still meet manning goals. Key goals could be met at lower costs, however, if the Congress limited some raises but increased bonuses or other special pays.

The Congress may also be faced with a decision about improving military educational benefits. With recruiting at record levels, no added incentives are needed now to meet manning goals. If recruiting problems develop in the future, the Congress should be aware that broad, noncontributory educational benefit programs, while they would improve recruiting, could eventually cost $1 billion or more a year and $200,000 for every added high-quality recruit. More narrowly focused improvements would still cost about $100,000 per added high-quality recruit. By contrast, targeted enlistment bonuses or more recruiters could attract additional high-quality recruits at a cost of $20,000 to $40,000 each.

Finally, the Congress may face decisions about military retirement, Our preliminary analysis of a retirement proposal the Administration may submit suggests that, relative to current law, it would eventually cut costs. In today's dollars, savings could amount to $2 billion to $3 billion a year by the year 2000, or about 10 to

15 percent of nondisability retirement costs. The proposal would also reduce career retention by about 5 percent in the mid-1990s and alter the pattern of retention. The Congress may wish to consider alternatives in this complex and emotional area, and there are many available.

DETERMINING THE MILITARY PAY RAISE—1984 RAISE

In 1984, even with a pay freeze, all the services should do well in recruiting. Success in recruiting personnel into active military service is often measured by the percentage of recruits who hold high school diplomas, which is one criterion for recruit quality. CBO calculates this percentage assuming that numerical requirements are met and that recruits satisfy the test-score limits imposed by the Congress. In the Army, which traditionally has the most difficult recruiting problem, we expect that about 84 percent of all male recruits without previous military service will hold high school diplomas in 1984. (Table 1 shows details for the Army and the other services.)

TABLE 1.—PROJECTIONS OF MALE NON-PRIOR SERVICE ACCESSIONS WITH HIGH SCHOOL DIPLOMAS UNDER ALTERNATIVE PAY RAISES

[By fiscal year, in percent [1]]

	1984	1985	1986	1987	1988 [2]	1988
No raise: [3]						
Army	84	69	67	63	61	57
Navy	82	77	76	74	65	59
Air Force	87	87	87	87	85	76
Marine Corps	82	81	77	75	76	70
Tower-Jepsen: [4]						
Army	88	73	70	66	64	61
Navy	85	80	79	77	68	62
Air Force	87	87	87	87	87	81
Marine Corps	83	82	78	76	77	73
4 percent raise: [5]						
Army	97	81	78	74	71	61
Navy	91	85	83	82	74	66
Air Force	87	87	87	87	87	82
Marine Corps	87	85	81	79	81	72

[1] Projections assume the administration's proposed strength levels and personnel policies (such as numbers of prior-service personnel). High school graduates who score in category IV on the Armed Forces Qualification Test are assumed to constitute 20 percent of the Army's nonprior service accessions, 11 percent of the Navy's, 8 percent of the Marine Corps', and 5 percent of the Air Force's accessions. Except as noted, projections use CBO economic assumptions which show unemployment declining from 10.1 percent in 1984 to 7.6 percent by 1988. All options assume that raises beyond 1984 keep pace with those in the private sector.

[2] Faster recovery would produce unemployment of 6.0 percent by 1988. Pay raises that keep pace with the private sector are also higher.

[3] This option assumes no pay raise in 1984.

[4] This option assumes a 4-percent increase in basic pay only, beginning on Apr. 1, 1984, except for those in pay grades E–1, E–2, and O–1 who receive no 1984 pay raise.

5 This option assumes a 4-percent increase in basic and other pays, effective October 1, 1983, for all personnel.

Not only is this near the highest level since the All-Volunteer Force began; it is better than the Army's draft-era experience, when about 70 percent of recruits held high school diplomas.

Similarly, even with a pay freeze in 1984, retention should be up. Retention is often neasured by the number of personnel with more than four years of service who remain on active duty. That total should be about 900,000 by the end of 1984, up 43,000 or 5 percent over projected levels at the end of 1983. (Table 2 shows details.)

TABLE 2.—PROJECTED NUMBER OF ENLISTED PERSONNEL IN THE CAREER FORCE (YOS 5 TO 30) UNDER ALTERNATIVE PAY RAISES

[By fiscal year, in thousands [1]]

	1984	1985	1986	1987	1988 [2]	1988
No raise: [3]						
Army	322.8	323.4	321.4	320.0	317.2	305.0
Navy [2]	235.1	246.2	251.0	256.9	260.6	254.3

TABLE 2.—PROJECTED NUMBER OF ENLISTED PERSONNEL IN THE CAREER FORCE (YOS 5 TO 30) UNDER ALTERNATIVE PAY RAISES—Continued

[By fiscal year, in thousands [1]]

	1984	1985	1986	1987	1988 [2]	1988
Air Force	277.9	293.2	301.7	305.2	313.3	304.7
Marine Corps	64.2	66.6	67.9	68.6	69.8	68.2
DoD	900.0	929.4	942.0	950.7	960.9	932.2
Tower-Jepsen: [4]						
Army	323.4	324.6	323.1	322.0	319.5	307.2
Navy [6]	235.4	246.9	252.0	258.1	261.9	255.5
Air Force	278.1	293.7	302.3	306.0	314.2	305.5
Marine Corps	64.4	66.8	68.2	69.0	70.2	68.6
DoD	901.3	932.0	945.6	955.1	965.8	936.8
4 percent raise: [5]						
Army	326.8	331.1	332.6	333.9	332.2	319.4
Navy [6]	237.4	250.4	256.8	264.1	268.1	261.5
Air Force	279.5	296.3	306.0	310.7	319.2	310.3
Marine Corps	65.2	68.2	70.1	71.3	72.7	71.0
DoD	908.9	946.0	965.5	980.0	992.2	962.2

[1-5] For notes [1] to [5], see table 1.

[6] The Navy projections exclude the several thousand full-time reservists (TARS) with more than 4 years of service.

A 1984 pay freeze would, however, dim recruiting and retention prospects beyond 1984. If pay raises beyond 1984 kept pace with those in the private sector, but there was no catch-up raise later, our projections show that by 1988 only about 61 percent of all male Army recruits would hold high school diplomas, well below today's level and also below the 65 percent minimum set by the Congress for the Army in 1983. Moreover, by 1988 the services would have about 961,000 career personnel. This would be considerably more than today but about 31,000 or 3 percent less than if a 4 percent raise had been given in 1984.

These projections assume the increases in strength levels and other changes in personnel policies recently proposed by the Administration. In some cases the latest Administration policies—which feature increases in Air Force end strengths and decreases in numbers of Army recruits who have prior military service—have substantially altered earlier CBO forecasts that were supplied to the Subcommittee. For example, earlier forecasts based on last year's plans showed that, without a catch-up raise, about 70 percent of all male Army recruits might hold high school diplomas in 1988, compared to 61 percent under current plans. Total numbers in the 1988 career force of all the services would be 983,000 under last year's plans, compared to 961,000 under current plans.

The sensitivity of these results to manpower policy changes illustrates the need to evaluate military compensation in a broader context. Decisions about major defense commitments or programs—such as expansion of the Navy or strategic modernization—can lead to substantial changes in the size and composition of military manpower requirements. For example, as the above numbers suggest, the need for a military pay raise in 1984 depends partly on decisions about the proposed increase in Air Force end strengths and the Army's intention to cut back on prior-service recruiting. The Congress could improve its ability to review manpower policy in a broader context if it were to obtain from each service a comprehensive five-year manpower plan, something the services prepare for internal use but do not currently provide to the Congress.

The projections cited above use CBO's unemployment forecast that shows unemployment at about 10 percent in 1984 and still around 7.5 percent by 1988. With a brisker recovery, the 1984 recruiting and retention results would not change much, but the 1988 results would be less positive (see Tables 1 and 2).

In light of the effects of a pay freeze on recruiting and retention, especially beyond 1984, the Congress might opt for a steadier pay policy that grants some pay raise in 1984. It could, for example, grant the pay raise proposed in the Tower-Jepsen bill. This would mean a 4 percent increase in basic pay, beginning in April 1984, for all but junior personnel (those in pay grades E–1, E–2, and O–1). This legislation would increase personnel costs by about $600 million in 1984. But recruiting and retention results would also be better. The percentage of Army recruits holding high school diplomas in 1984 might reach about 88 percent, compared to 84 percent under the pay freeze. And there would be 901,300 or 0.1 percent more career personnel in 1984.

Alternatives to the Tower-Jepsen proposal could produce even more favorable results, but at higher cost. For example, last year's budget resolution assumed a 4 percent pay raise for all personnel, beginning in October 1983. Such a pay raise would add $1.6 billion to personnel costs in 1984 but would result in better recruiting and retention than would Tower-Jepsen (see Tables 1 and 2).

HOLDING DOWN FUTURE PAY COSTS

While it may be possible to freeze pay in 1984 and still meet goals for recruiting and retention, the Congress cannot consistently hold down pay raises and still meet these goals. It could, however, achieve these goals at less cost by occasionally limiting future pay raises and substituting higher bonuses or other special pays. This would be a cheaper pay policy because it would focus added pay on the skills where recruiting and retention are most difficult. In some military skills recruiting and retention are chronic problems, but in others the goals are routinely exceeded.

IMPROVING MILITARY EDUCATIONAL BENEFITS

Another key choice that the Congress may face concerns military educational benefits. As the above results suggest, military recruiting and retention are currently at historical highs and are likely to remain high for the next several years. Thus, for the next few years, there is no apparent need for new incentives in the form of improved educational benefits. If problems develop in future years, and the Congress considers meeting them with improved educational benefits, it should weigh the costs of these proposals against costs of other ways to improve recruiting.

Analysis done last year by CBO suggested that broad-based educational programs—those that require no contribution and provide benefits to most or all personnel—are expensive, both in terms of budget costs and costs per added recruit. For example, one alternative analyzed last year by CBO provided benefits of $225 a month for up to 36 months, with higher benefits for those who remain on active duty beyond the first term. Such a plan could eventually increase personnel costs by about $1 billion a year in today's dollars. Recruiting would improve, but retention would deteriorate as individuals leave the military to take advantage of their educational benefits. The cost for every high-quality recruit added to the military would be about $200,000, which is substantially higher than the costs of other alternatives discussed below. ("High-quality" recruits are those who hold high school diplomas and score in the upper half on entrance examinations given to all entering recruits.)

These general results should apply, though only in part, to broad-based programs such as the one proposed by Senators Cohen, Armstrong, and others (S. 691). The Cohen-Armstrong proposal features a freeze on pay for E-1 personnel that would hold down costs but would also reduce recruiting success. The Cohen-Armstrong bill also features a complex proposal designed to reduce the incentive to leave the military in order to take advantage of educational benefits. CBO has not fully analyzed this last feature, and thus we do not have cost estimates for the entire bill. But the costs per added recruit are likely to be substantial.

More narrowly focused improvements in educational benefits, such as those proposed by Senator Simpson (S. 667), would be less expensive. The Simpson bill would improve the existing Veterans' Educational Assistance Program (VEAP) by increasing the amount the government contributes (from $2 to $3 for every $1 contributed by a service member) and by paying interest on member contributions while they are held by the government. The legislation would also eliminate the termination date, currently specified as December 31, 1989, for benefits earned under the old Vietnam-era GI Bill. By 1990, when full costs would be apparent, added spending under this legislation would equal about $210 million a year in today's dollars. The cost per additional recruit associated with the improvements in VEAP would be about $100,000. This would be lower than the cost of broad-based programs, but higher than the cost of using bonuses (about $35,000 per recruit) or more recruiters (about $22,000 per recruit).

Improved educational benefits might, of course, serve purposes other than recruiting. They might induce more of our citizens to attend college. They might also be seen as a readjustment benefit for those whose careers are interrupted by military service. Finally, educational benefits might appeal to a different category of youth than would bonuses or recruiters, inducing more of the college-bound to join the military. An estimate of how many college-bound youth would be induced by educational benefits to interrupt their plans and join the military, especially in the hard-to-fill combat arms skills, is, however, difficult to make. So too is a judgment as to the appropriateness and efficacy of using military educational benefits to achieve these non-military purposes.

RESTRUCTURING MILITARY RETIREMENT

Another key choice facing the Congress could involve military retirement. For many years, concern has been voiced about the costs of the retirement system. In 1984 costs for those on the retired rolls will be about $16.7 billion. For those on active duty, costs equivalent to about 50 percent of annual basic pay would have to be set aside to fund future retirement costs fully. There has also been concern about the retention incentives provided by the current system. Critics note that the system provides little incentive to reenlist in the military after just a few years of service, because no nondisability benefits at all are paid to those who leave with fewer than 20 years' service. But the system provides a strong incentive to leave after exactly 20 years of service when benefits become available.

There has been no lack of proposals for changing the retirement system. Since 1969, five major studies have proposed changes and another study, the Fifth Quadrennial Review of Military Compensation, is underway right now. Some important changes have already been enacted. In 1980 the Congress provided that, for those entering the military after September 1980, retirement benefits will be computed based on the three years when pay is highest rather than on pay at the time of separation. In 1981 the Congress substituted an annual cost-of-living allowance (COLA) for the semiannual raise in benefits. In 1982 the Congress delayed the dates when COLAs are granted and, more importantly, provided that in 1983, 1984, and 1985 retirees under age 62 will receive only half the normal COLA, subject to certain minimum raises.

In this year's budget, the Administration proposes to make this so-called "half-COLA" provision permanent. It has not yet submitted the actual legislation, but CBO has done a preliminary analysis assuming a permanent half-COLA, no minimum raises, and long-term growth in the Consumer Price Index of 4 percent a year.

Under these assumptions, the half-COLA option would save money. Relative to current law—which CBO assumes means half-COLAs in 1984 and 1985 but full COLAs thereafter—savings in today's dollars would total about $2 billion in 1984–1988, or about 3 percent of nondisability retirement costs. By the year 2000, annual savings might be $2 billion to $3 billion in today's dollars, or about 10 to 15 percent of nondisability retirement costs. Savings would continue to grow beyond the year 2000.

There would also be a shift in the pattern and level of retention. Because of reduced benefits, a higher fraction of persons would leave the military after about 10 years of service than would be the case under a system featuring full COLAs. But a higher fraction of those who do remain for 20 years would want to remain past 20 years, in order to minimize the number of years spent receiving half-COLAs. On balance, the total size of the career force in the mid-1990s would be about 5 percent smaller under a permanent half-COLA provision than with full COLAs.

Many studies have suggested that the shifts in the pattern of retention created by the half-COLA raises would be desirable. If the Congress wanted these shifts but also wanted to hold down reductions in total numbers of career personnel, it could consider coupling the half-COLA provisions with a "catch-up" raise at ages 62 or 65. A catch-up raise would bring the retired pay of older retirees back to levels that would have been reached under full COLAs. Thus it would add to the costs of a half-COLA option but should also minimize the loss of career personnel. It might also be viewed as an equitable treatment of older retirees.

The Congress might also consider providing some benefits to those who leave with fewer than 20 years of service. This "early vesting," which has been recommended by every major study of military retirement, would add to costs but could also substantially improve retention by increasing the incentive to remain in the military after the first term of service.

The half-COLA provision, and variants of it, have the inherent disadvantage that retirement earnings are determined by fluctuations in future prices; the greater the rate of inflation, the smaller the pension in real terms. Similar effects on costs and retention could be achieved by changing the fraction of basic pay that persons receive after completing careers of varying lengths. Past studies have provided numerous examples of changes of this type.

As this discussion suggests, restructuring military retirement would affect not only costs but also the pattern of career retention and the numbers of career personnel. Thus any decision to alter returement should weigh both the costs and the effects. Unfortunately, it is not easy to foresee all the possible effects of such changes, especially for alternatives much different from the current system. Far-reaching changes in military retirement may therefore result in unanticiapted changes in costs or retention.

KEY ACCOUNTING CHANGES

The Administration has also proposed important changes in the way the federal budget accounts for military retirement. Currently, the defense budget only reflects payments to those already retired. The Administration would change the accounting procedure to reflect liabilities being incurred today to pay future retirement costs. By making future manpower costs fully visible in the budget, these accounting changes should help in the effort to economize on expensive manpower resources and thus improve management. For this reason, the principles of "accrual accounting" have been endorsed by many studies and are recommended by CBO.

The Congress should also consider requiring accrual funding of any proposed improvements in educational benefits, in order to make their full costs visible in the federal budget.

In sum, Mr. Chairman, a wide array of key compensation issues is before the Congress. Some of the proposals offer an opportunity for substantial budget savings, which guarantees them some popularity during this difficult budget season. But changes in military compensation must also be assessed in light of their effects on recruiting and retention, lest we revisit in the next few years the major manning problems of recent years.

Senator **JEPSEN**. Is it accurate to say that it is about $17 billion that we have by way of retirement?

Mr. **HALE**. It is $16.7 billion in 1984.

Senator **JEPSEN**. So, $16.7 billion in 1984. That now is increasing at $800 million a year?

Mr. **HALE**. It depends, really, on what the cost of living does. But if it is around a 5-percent CPI increase and full cost of living were granted—which of course is not the plan in 1984—it would be increasing at about that.

I wonder if I could add that in real terms, if you separate out the cost-of-living changes, the big increases in military retirement are over, barring—hopefully—another war. We have gotten over the World War II and Korea peaks. People who served in those periods have entered the retirement rolls by and large. So, I would not expect to see large real increases in retirement—that is, apart from those caused by price growth.

Senator **JEPSEN**. So, the retirement ball-park figure is $17 billion.

Mr. **HALE**. Right.

Senator **JEPSEN**. The increasing ball-park figure is $1 billion a year. Then how much total, budget-wise, is the total compensation, I mean the actual pay?

Mr. **HALE**. Oh, probably $40 billion or so, $40, to $50 billion.

Senator **JEPSEN**. That is $57 billion.

Mr. **HALE**. That is for military.

Senator **JEPSEN**. This for military. Does that include bonuses?

Mr. **HALE**. Yes, although they would be a small fraction of that, about $1 billion for reenlistment and a few hundred for enlistment.

Senator **JEPSEN**. Do you have an estimate of all other benefits, housing, travel, and so on? I would like to build a figure up to what we come up with as total.

Mr. **HALE**. I cannot make that estimate off the cuff. The number I quoted of around $40 billion looks about right for the so-called pay base, if you will. That includes all the basic pay, the allowances, the special pays, so forth; another $17 billion, as you said, for retirement. You are talking about several billion more for travel if you want to include permanent change of stations.

Senator **Jepsen**. Can you be more specific, $3 billion, or $4 billion?

Mr. **Hale**. We have the numbers here. PCS is $2.5 billion in 1984.

Senator **Jepsen**. All right.

Mr. **Hale**. The total on this sheet, including PCS, is $38.9—I am sorry, I have the wrong one here. It is $42.7 billion in 1984, and that would include all the pays. That would include PCS but it would not include retirement.

Senator **Jepsen**. So, the $42.7 billion includes all pay and benefits?

Mr. **Hale**. Yes.

Senator **Jepsen**. Estimated for travel allowances, and all that?

Mr. **Hale**. Right.

Mr. **Principi**. Would it include housing, base housing and medical care?

Mr. **Hale**. The cash costs of that—that is, the amount we pay out in cash for variable housing allowance and for allowance for quarters. It would not include costs of building and maintaining family housing that is a separate account. It would be several billion more.

Mr. **Principi**. How about medical care?

Mr. **Hale**. It would not be in that, that is in the O&M function largely.

Senator **Jepsen**. Let us build on that a little bit, $7 billion, is that what it would be for medical care?

Mr. **Hale**. It sounds about right. I do not know that number offhand.

Senator **Jepsen**. Well, are we in the ball park, is it close?

Mr. **Hale**. It sounds reasonable. That is about right. Add another couple of billion—although it is hard to measure the exact cost—of family housing. The family housing appropriation is several billion, $2.4 billion.

If I could speak briefly for what the service chiefs might say. Some of the things we are including here, they would not view as compensation.

Senator **Jepsen**. Pardon?

Mr. **Hale**. If I could speak for what I think the gentlemen sitting here before me would have said. Some of the things we are including here, travel and health care, they would not count fully as compensation.

Senator **Jepsen**. The Manpower Requirements Report for Defense shows $100.7 billion as total manpower costs.

Mr. **Hale**. That includes civilians that also includes reserves.

Senator **Jepsen**. Is that part of the defense budget?

Mr. **Hale**. Yes, it certainly is, every cent of it. I was talking only military. What you are looking at there in the Manpower Requirements Report include civilians.

MILITARY COMPENSATION

Senator **Jepsen**. Do you believe that the current structure of the compensation, military compensation, will be able to sustain recruiting and retention on the basis of the changing, varying economic conditions, growing defense requirements, future demographic constraints?

Mr. **Hale**. Mr. Chairman, I think certainly for the next few years our estimates of recruiting and retention show no problems. In the latter part of the 1980's—we should be humble about our ability to see that far—we cannot rule out problems. They would certainly be more likely if we freeze pay, and particularly if we freeze pay and then continue to put limits on pay raises in future years.

I think we have to take into account that the Budget Resolutions being debated right now by other committees include some limits on future raises as well as the possibility of limits on the 1984 raise. So, instead of a catchup raise next year we may be looking at yet another limit.

I think we cannot rule out problems, but there certainly are not likely to be any for the next year or so.

Senator **Jepsen**. I thank you. Do you have anything further?

Dr. **Coffey**. One further point, Senator, a thought that occurred to me when you were talking with Mr. Hale on the subject of COLA and whether or not it would save money.

It is clear that it would save money in the retirement account. It is not clear that you would not be spending that money and perhaps even more on sustaining the force. In the initial years, if you cap COLA, you would have people staying in longer. They would cost more than if they left and were replaced with new recruits.

You would also likely still need the same number of younger people, as a result, if we keep these extra older people you would get requests for a larger force size.

So, I am suggesting that if we are concerned with money saving in retirement, that we have to go beyond just saving money in the retirement account and look at what the action is likely to do to the cost of the force.

Mr. **Principi**. Dr. Hale, I do have one question.

Do you agree with Mr. Coffey when he states that before you can really have true comparability we have to compare apples with apples and we have to establish bases on which to compare? In other words, you have to look at all the military benefits and the types of benefits that are received by the civilian, rather than base pay as opposed to private-sector wages.

Mr. **Hale**. Oh, yes, and I would even go one step farther. I think you are going to have to find a way—and I can only think of one—to take into account the differing rigors of the jobs. They are intangible. But they are something that you are going to have to deal with because people view military jobs as different, potentially, than those in the civilian sector.

That is what always brings us back to suggesting that the Congress look most closely at how well you are doing in recruiting—that is the acid test—and how well you are doing at retaining people.

That has the additional advantage of not only looking at the supply side—how many people are willing to join—but at the demand side how many people and what kinds—what degree of quality, for example—you want. So, I would urge that you focus mainly on that.

Comparability is a helpful mechanism in figuring out how to make adjustments when things are going reasonably well. If things are out of kilter or if you are changing demands, I think you have to look at recruiting and retention.

Senator **Jepsen**. Thank you very much.

In our final panel we have Mr. Robert Nolan, the national executive secretary of Fleet Reserve Association; Mr. John Sheffey, executive vice president of the National Association for Uniformed Services; Sergeant Major Mack McKinney from the Noncommissioned Officers Association, and Colonel George Hennrikus, from the Retired Officers Association.

Welcome, gentlemen. I again will assure you that your statements will be entered into the record as if read. That being the case I would respectfully hope and ask that you would summarize and then we will proceed from there.

If we may start with Mr. Nolan.

STATEMENT OF ROBERT W. NOLAN, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION

Mr. **Nolan**. Mr. Chairman, as you can appreciate our associations agree on some issues and disagree on others. In cooperation with this subcommittee and to avoid repetitious statements, we have endeavored to use our time most effectively by stating when our views are mutually held and when we disagree. Our comprehensive statements for the record clarify our positions on all issues.

Mr. Chairman and members of the committee, I am Robert W. Nolan, the national executive secretary of Fleet Reserve Association.

It is my privilege to appear not only on behalf of my 158,753 shipmates and their families but also on behalf of the 150,000 members of the Air Force Sergeants Association.

PROPOSED FEDERAL PAY FREEZE

During the second week of February 1983, I telephoned the Navy's Fleet and Force master chief petty officers around the Nation to learn of the personnel's reaction to the ALNAV message the Chief of Naval Operations had issued to the fleet regarding the proposed Federal pay freeze.

To my surprise, the sailors were accepting Admiral Watkins' rationale for the pay freeze in the spirit it was given. They did not like the idea of forfeiting their expected pay raise but they said, "If it will help our Nation we will bite the bullet for another year on the promise of a catch up increase next year."

I put it to you, their reaction was quite different from the reaction of the civilian Federal employees gathering on the steps of the U.S. Capitol to rally in protest to the freeze.

But the reaction of military is typical of their willingness to continually sacrifice for their Nation. There should be no wonder that I am proud to be their spokesman here today.

But it is the adamant belief of the FRA and Air Force Sergeants Association that our service personnel should not be asked to make that sacrifice, especially when the proposed fiscal year 1984 budget contains 30 billion more dollars than the fiscal year 1983 defense budget. We believe that someone has their priorities switched when we can afford new weapons but we cannot equitably compensate our personnel.

I have attached to our testimony a brief, yet comprehensive, brochure outlining our rationale for a 1983 military pay raise. The military personel must not be able to perceive that they have been forgotten. Personnel retention is of the highest priority. It will be of little value to budget for and build the ships for a 15-carrier battlegroup Navy and not be able to man that Navy.

Our comprehensive statement addresses other compensation issues which are as important as basic pay in rounding out the compensation equation and assuring the quality of life for our personnel.

We commend our views on enlistment and reenlistment bonuses; the variable housing allowance; medical care for family; expansion of sea pay for careerists; quarters reimbursement during overhaul; funded travel during overhaul, and the long-standing inequities in basic allowance for subsistence for your serious consideration.

We urge this committee to initiate the immediate repeal of the inequitable termination of the Vietnam era GI bill benefits for military careerists who have already earned those benefits by wartime service.

The Department of Defense and the service witnesses have already testified to the justification and method by which this could be accomplished this year. It is most unwise to allow this injustice to continue when it can be resolved so simply.

By the way, in your discussion with the gentlemen that were witnesses before who spoke of the fact that these people were promised this, it is not only a case that they were promised this, sir, it is that the original Cold War GI bill that was enacted that gave them these benefits, gave them until ten years after their last discharge. The reason I can speak so forcefully about that, it was the Fleet Reserve Association that convinced Senator Yarborough, the original sponsor of the Cold War GI bill, to write that language in the bill.

Mr. Chairman, to make the most effective use of our allotted time today and in cooperation with the subcommittee, we associations have selected Col. George Hennrikus of the U.S. Air Force, retired, as our spokesman on the inequitable military retirement proposals contained in the proposed fiscal year 1984 defense budget.

As a spokesman for more than 300,000 enlisted personnel and their families I assure you that we wholeheartedly share and agree in his viewpoints.

I have also attached an article entitled, "Military Retirement Pay: A Time of Crisis" by Capt. Thomas M. Hale of the U.S. Navy, from the April 1983 issue of Proceedings which is published by the Naval Institute.

Captain Hale is currently the head of Compensation Policy Branch on the staff of the Chief of Naval Operations. We request that it be made part of the record.

On behalf of our combined membership, I thank the subcommittee for this opportunity to share in our representative form of government. It is because we can do so that our members spend a major portion of their adult lives in service to our Nation.

Thank you.

[The prepared statement of Robert Nolan with attachments follow:]

PREPARED STATEMENT BY ROBERT W. NOLAN, NATIONAL EXECUTIVE SECRETARY, FLEET RESERVE ASSOCIATION

INTRODUCTION

Mr. Chairman and members of the distinguished Committee, I am Robert W. Nolan, National Executive Secretary of the Fleet Reserve Association. It is my privilege to not only appear today in behalf of my 158,573 Shipmates and their families but also in behalf of the 150,000 members of the Air Force Sergeants Association. We appreciate the opportunity to express our views and give the Committee the enlisted personnel's thinking on the vital subjects you are considering today.

I. 1983 MILITARY PAY RAISE

Mr. Chairman, the government workforce, civilian and military, were shocked to learn of President Reagan's proposed federal pay freeze for 1983 in mid-January. We of the military community can appreciate his rationale for the proposal. Under the superb leadership of ADM James D. Watkins, U.S.N., the Chief of Naval Operations, the active duty personnel accepted his frank explanation of the issue in the "ALNAV" message he transmitted to the fleet on 3 February 1983. I made personal telephone calls to the Navy's Fleet and Force Master Chief Petty Officers around the nation to learn of the personnel's reaction to the "ALNAV". To my surprise, the troops were accepting the rationale in the spirit it was given. They did not like the idea of forfeiting a raise in 1983, but they were saying, "If it will help our nation, we will bite the bullet for a year on the promise of a catch-up increase next year."

I put it to you, that reaction is quite different from gathering on the steps of the U.S. Capitol to rally in protest. The reaction of the military is typical. They are continually sacrificing for their nation. There should be no wonder that I am proud to be their spokesman here today.

But, it is the adamant position of the Fleet Reserve Association and the Air Force Sergeants Association that our active duty personnel should not be asked to make that sacrifice. Especially when the fiscal year 1984 proposed defense budget contains $30 billion more dollars that it did in fiscal year 1983. We believe that someone has their priorities switched when we can afford new weapons but we cannot equitably compensate our personnel.

I have attached to our testimony a brief, yet, comprehensive brochure which outlines the FRA's rationale for a 1983 military pay raise. We have previously sent a copy of the brochure to each Member of the U.S. Congress and to civilian and military officials in the Administration. It explains the results of the 1982 Continuing Resolution Act, the fact that personnel retention is the key to military readiness and explores military personnel's perception of possible future events.

MILITARY PAY COSTS AS PART OF THE DEFENSE BUDGET

Due to the preachings of previous Administrations, some lawmakers and the press, the public has been led to believe that 50 to 60 percent of the Defense Budget is absorbed by personnel costs. When one mentions personnel costs as part of the DOD budget, naturally one thinks of uniformed personnel. But, remember, DOD employs well over one million civilian employees! The civilian payroll is proportionately double that of the military payroll which pays twice as many people! For example, in fiscal year 1982 DOD budget:

a. Active duty personnel pay costs totaled only 15.6 percent of DOD's budget!

b. Military retired pay totaled only 6.4 percent of the DOD budget!

Using all fixed, overhead costs directly related to personnel (such as training, medical, housing, travel, etc.) the total personnel costs were only an additional 22 percent of DOD's budget.

RETENTION OF PERSONNEL

This Subcommittee can compliment itself on leading the fight and initiating measures to turn the personnel losses of the late 1970's around. But that retention problem has not been fully resolved. The Services are still suffering from that large exodus of enlisted trained and experienced, mid-level management personnel. The Navy is still some 15,000 petty officers short. It is true that retention rates have improved dramatically in the past two years, but if you will look at the retention rates for the Navy closely, you will see the fiscal year 1982 second and third term rates fell short of the desired goals. The fiscal year 1982 second term rate was 63 percent versus the fiscal year 1982 goal of 67 percent. Retention for third term and beyond was 95.3 percent versus a goal of 98 percent.

Our Associations realize that the unemployment rate in the private sector is a factor in the military's retention success. But do not depend too heavily on that factor for success in retaining the skilled enlisted technicians. There are jobs available to them and they are just the ones who will leave!

The Services have trained and educated these personnel and it is foolish and expensive to lose that valuable investment for the want of a comparatively small sum in justifiable compensation now.

Last August tenth, VADM Lando W. Zech, Jr., Chief of Naval Personnel, stated to this Subcommittee, "If we again allow military pay to deteriorate below apportunities in the private sector, we can project significant losses of career personnel that we cannot afford to lose. For example, our projections indicate that a 1983 pay raise that is four percent below comparability will result in the loss of over 13,000 Navy careerists alone by fiscal year 1989. We can ill afford such a loss when we are trying to build our manpower base to meet the demands of a larger fleet."

This testimony was given at a time when the expectations for an equitable 1982 military pay raise were still reasonable. The President recommended an eight percent plus raise for 1982, the military received a four percent increase. Administration leaders' original talk of a 7.5 percent increase for 1983 changed into a recommended pay freeze! Both President Reagan and Secretary of Defense Weinberger now speak af a meaningful "catch-up" pay increase in 1984. If you were serving in the military today, would you not have some doubts about any increase to your pay?

Under these circumstances, it will be of little value to budget for and build the ships to comprise a 15-carrier battle group Navy and not be assured of having the qualified personnel to man that Navy!

THE QUESTION OF "TARGETED" PAY INCREASES

The Fleet Reserve Association and the Air Force Sergeants Association do not understand the logic of proposing targeted pay. In the first place, a 1983 military pay increase is justified on the need because of rising costs since the last pay raise. Obviously, costs have increased for everyone from seaman recruit to admiral. Is it not logical to protect the purchasing power of everyone's pocketbook? To apply targeting to certain pay grades certainly implies that some pay grades were originally over-compensated and that certainly is not true! Nor, is it fair to ask that certain pay grades bear the brunt of austerity actions.

We have heard the pay compression argument to justify the targeting of pay in the enlisted grades. We recognize the very real compression of pay that exists in the enlisted grades. In fact, we were among the first to call the problem to the Congress' attention. However, we do not feel that you can effectively, or equitably, resolve the pay compression problem by dividing a four percent pay increase between the enlisted and officer pay grades.

It would be far better to delay the raise for several months after 1 October 1983 and give all hands an equal increase.

II. ENLISTMENT AND REENLISTMENT BONUSES

There is no doubt that enlistment and special reenlistment bonuses are cost-effective. Particularly as an effective tool for targeting Navy accession needs in specific skills and ratings and the retention of those skills and ratings. However, these bonuses do pose a morale problem for those who are not eligible to receive them. The bonuses are based on the "carrot-on-a-stick" philosophy enticing future service. The

FRA believes the bonus should be based on a philosophy of reward for satisfactory past service. Thus, if one reenlists they again have the opportunity to earn another bonus in the future. Years ago, this was the philosophy of a reenlistment bonus. Everyone received some "shipping over" money and "bonus resentment" was not a morale factor.

FRA and AFSA recognize the Congress' new bonus philosophy. In today's world of limited resources, we must assure cost-effectiveness for the dollars spent. Therefore, our Associations fully support the enlistment and reenlistment bonus programs as presently implemented and wholeheartedly endorse their continuance.

III. THE VARIABLE HOUSING ALLOWANCE

One of the most deserved and meaningful allowances established for military personnel recently is the Variable Housing Allowance (VHA). It was established to reimburse personnel living in private quarters in high cost rental areas. Originally, the VHA was set at 115 percent of the going rental rate in an area. The Continuing Resolution Act of 1982 placed a four percent cap on VHA and it is now at 119.4%. However, housing costs nationwide rose over nine percent in 1982; and are projected to rise another five percent in 1983 and six percent in 1984!

To maintain the equitable standard of living which VHA was to guarantee, it is hoped the Congress will fund the VHA in an amount to assure it keeps pace with housing costs nationwide.

IV. SEA PAY FOR CAREERISTS

One of the greatest compensation reforms of the past several years affecting naval personnel has been sea pay reform. Prior to 1980, enlisted personnel were compensated for their sea duty at rates ranging from $29 to $115 a month. Sea pay now ranges from $50 to $310 a month. This allowance provides well deserved compensation for undergoing the arduous conditions and long working hours associated with sea duty.

The maximum level of sea pay is reached at 12 years of sea duty. Once a man attains the maximum sea pay there is little financial incentive to return to sea duty. The personnel shortages have increased the need for senior petty officers to go to sea. therefore, the Navy has devised and proposed a plan to increase maximum sea pay 13 to 20 years of sea duty by the top three enlisted grades and warrant officer grades. The changes would raise the maximum $310 for twelve years of sea duty to a maximum of $475 per month for a Master Chief Petty Officer with 20 years of sea duty.

We are informed that the cost of the plan is $1 million annually but the Navy has agreed to fund the plan from its existing budget. We urge this Subcommittee to approve the plan and enact the authority to implement it.

V. MEDICAL CARE FOR THE MILITARY COMMUNITY

In the days of "Join the Navy and See the World" recruiting, recruiters could entice enlistments with their bonafide offers of pay, room and board, free uniforms, and free medical care. Believe it or not we can even remember when military dependents received free care at military medical facilities. the vast majority of Americans still believe this is true. But due to a variety of factors, "free" medical care is non-existent for military families today. Even though they can receive care in military hospitals and are covered by CHAMPUS if the military member wants to truly protect his family budget from the ravages of medical bills, he must enroll in a CHAMPUS supplement health insurance plan. This means an additional monthly expense for health insurance premiums out of his pocket.

The military member has, in a few years, moved from a position of being reasonably sure of free medical care for his family to where he must carry the added financial burden of monthly health care premiums to protect his family from the financial effects of a serious medical emergency or catastrophic illness.

Due to the serious shortage of medical doctors and other skilled health care professionals in the military, the military community can no longer be sure that certain medical care specialties are provided at all military hospitals. He is told not to worry because, if the military system cannot provide the needed care, it may be obtained from civilian sources under CHAMPUS—at greater personal expense to him of course! Therefore, to avoid the liability for large medical expenses, he enrolls in a CHAMPUS-supplement health insurance plan. He now feels his medical care cost problems are solved but, are they?

As everyone knows, medical costs are sky-rocketing today! The first impact of this is the appreciable annual increase in health insurance premiums. The rising medical costs require increasing funding of CHAMPUS. The Congress directs the Department of Defense to find ways to decrease the cost of CHAMPUS. The Department of Defense directs military personnel to receive their care at military medical facilities. The military medical facilities still have the shortage of personnel and funding may not be able to provide the care. We have come full circle on the issue.

Add to this dilemma, that we now hear rumors of military hospitals adopting a policy of a nuisance fee charge! The idea of a nuisance fee charge at military hospitals is now new. It has been considered before. The FRA and AFSA believe the idea to be sheer foolishness. The logic and common sense that precluded the adoption of nuisance fees before still holds:

1. The amount of nuisance fees collected will not begin to offset the administrative cost of collecting the fees;
2. The nuisance fee policy would compound the administrative swamp now engulfing military medical personnel and hospitals;
3. Once people pay for care, even though it is only a token charge, they will demand results and many times immediate results of medical care are not attainable;
4. Token nuisance fees will not deter the hypochondriacs but, they will deter conscientious military members who will endeavor to treat themselves leading to more expensive medical treatment;
5. Once a nuisance fee policy is implemented, it will perpetuate itself by rising with the increasing medical costs until it has to be subsidized by the government.

We implore this Subcommittee to study this critical problem concurrently with the Appropriations Committee to arrive at some equitable way to maintain the traditional health care benefit for the military community at an equitable cost.

In addition to medical care coverage under CHAMPUS, dependent dental care coverage under CHAMPUS would provide an important addition to the compensation of the military member. An increasing number of employers in private industry now offer dental care as part of their medical coverage programs. the inclusion of a dental care program under CHAMPUS would enhance a military career and make military compensation truly competitive with the private sector. The first consideration of a dental care plan under CHAMPUS by the Congress was in 1967. Surely, in sixteen years such a program could be devised and implemented.

VI. OTHER QUALITY OF LIFE ISSUES

Speaking for the Fleet Reserve Association, there are several quality of life issues which pertain to navy personnel which we wish to address:

QUARTERS REIMBURSEMENT DURING OVERHAUL

On October 1, 1980, the authority to reimburse members for quarters when their ship is uninhabitable during overhaul and no government quarters are available was initiated. This authority subsequently extended through September 30, 1982. This is not just a matter of personnel having an adequate roof overhead, but helps to maintain unit integrity during the overhaul. The use of berthing barges is facilitating the resolution of the problem and will decrease future funding for this authority. However, there will always be a need to reimburse personnel at overhaul sites where go government quarters or berthing barges are available. We urge this Committee to initiate the reauthorization of the program and make it permanent.

FUNDED TRAVEL DURING OVERHAUL

The Navy is proposing changes to the existing program which funds travel to homeport for members to visit their families when their ship is being overhauled away from homeport. The current program covers overhaul periods of up to six months. Because many overhaul six months, the proposed change is to fund such travel throughout the overhaul. This would bring the program more in line with its original intent which was to alleviate the hardship of forced separation of sailors and their families.

BASIC ALLOWANCE FOR SUBSISTENCE (BAS) FOR CAREERISTS

Normally, enlisted members are subsisted in kind at enlisted dining facilities ashore and afloat. Enlisted personnel receive BAS only when no government dining facility is available, under certain Temporary Additional Duty assignments, or when they are authorized to subsist separately from the government mess. Often, enlisted members subsisted in kind are financially penalized because they cannot or do not eat all their meals at the enlisted dining facility, and must pay for meals consumed elsewhere without receiving a subsistence allowance. The result is that the member has paid twice for one meal, which serves as a major irritant to the career force. The Navy proposes to remedy this situation by allowing career force members (E-5 and above) to receive BAS at any time they are stationed ashore and when their ships are in homeport and they are assigned to the ship. This could prove to be an important prerequisite afforded career personnel which could aid in resolving the compression of pay in the enlisted pay grades at a most reasonable cost. the estimated cost is below $35 million annually.

VII. G.I. BILL TERMINATION DATE REPEAL

The termination date of 31 December 1989 for the use of the Vietnam GI bill education benefits is a gross injustice to Vietnam veterans who have continued in a military career. This is especially true in light of the fact that the original legislation contained no such provision. It was because of FRA's suggestion that the sponsor of the Cold War GI bill, former U.S. Senator Ralph Yarborough of Texas, incorporated the word "last" before "discharge" in the language of the bill to preclude this injustice. In 1976, when the Congress was considering enacting amendments, the FRA endeavored to protect the military careerist to prevent the loss of his earned educational benefits. Needless to say, we were unsuccessful.

Currently, there are over 197,000 Navy personnel serving on active duty who have earned their GI bill benefits through Vietnam service. Of these, 120,000 members are in the critical retention window of six to fourteen years of service. These personnel must make a choice between their earned GI bill benefits and a military career prior to December 1985. The fact that these individuals will lose their GI bill benefits by remaining on active duty is not only deterimental to the retention program but is a grave injustice as it unduly penalizes them for continuing to serve their nation in a military career.

Assistance Secretary of Defense for Manpower Lawrence J. Korb, in testimony before the Senate Veterans Affairs Committee testified that the Administration supports the repeal of the 1989 termination date. He has stated before Congressional Committees that the Department of Defense is willing to fund the cost of Vietnam-era GI bill benefits for those who have earned them and retired after 31 December 1989!

Therefore, we urge this Committee to initiate the immediate repeal of the inequitable termination date for military careerists in this session of the Congress. It appears to us this could be accomplished by an effective amendment to the FY'84 military authorization bill inasmuch as it would require no funding. Such beneficial action would be a clear signal to military careerists that they are not forgotten and their service and economic sacrifices are appreciated!

VIII. RETIREMENT PROPOSALS IN PROPOSED FISCAL YEAR 1984 BUDGET

The 97th U.S. Congress as part of the effort to reduce the national deficit enacted four actions into law to temporarily reduce military retirement pay. The four actions were:

1. The twice a year cost-of-living adjustment to retired pay was eliminated and replaced by an annual adjustment.
2. The cost-of-living adjustment for military retirees under age 62 who are not disabled was limited to fifty percent of a projected Consumer Price Index for the fiscal years 1983, 1984 and 1985.
3. The cost-of-living adjustment for those military retirees employed by the Federal government must have an amount equal to their COLA increase deducted from their civil service salary.
4. The cost-of-living adjustment based on the twelve month cycle was extended to a thirteen month cycle for fiscal years 1983, 1984 and 1985.

I believe it is reasonable to state that the military retired community has accepted these real reductions in their deferred compensation as part of their contribution to reducing the national deficit.

However, the proposed Department of Defense budget for fiscal year 1984 contains proposals to further reduce military retirement costs which we believe are ill-advised and unconscionable. These proposals are:

1. To make the fifty percent limitation to cost-of-living adjustments for retirees under age 62 permanent.
2. To freeze the retired pay adjustments for fiscal year 1984 and delay further cost-of-living adjustments thirteen months until June 1985.

3. Eliminate the one-year "look back" provision by which retiring active duty personnel can compute their initial retired pay.

4. To round down each monthly retired pay payment to the next lower dollar.

5. To immediately base military retired pay on an average of final three years of service.

As you are aware, in the past several years there have been a number of piecemeal changes to the military retirement system. Generally, these changes came about without the benefit of hearings. These changes when taken in-toto, have a significant effect on reducing military retired pay. These changes are:

1. The establishment of a high-three averaging for the basis of computing retired pay. (This was grandfathered so as to apply only to persons entering service on/after 8 September 1980.)

2. Add to the above the previously stated changes made by the 97th Congress.

As previously stated, these changes were arbitrarily made without consideration of the impact on the career force, consequences to current recipients or the cumulative effect of the changes.

The gross inequity of basing military retired pay on the high-three average salary of the final three years of service is clearly apparent when you consider that regular military compensation is based on basic pay, allowances and the tax advantage of the allowances and not total salary as is paid to other federal employees. Hence, under the high-three average basis, military retired pay would be based on a high-three average of only sixty percent of the military members total compensation!

The proposal to make the retired pay COLA for retirees under age 62 fifty percent of the cost-of-living increases permanent under law is certainly not equitable. It has not been given careful study and its lifetime effects are not fully understood. Preliminary investigation reveals it would have a devastating reduction in future military retired pay. For example, the below chart, assuming a conservative future 5% Consumer Price Index increase, (the average has been 6% over the last twenty years) annually, shows the reduction for officers and enlistees retiring with 20 and 30 years of service.

PERCENT OF RETIRED PAY AT AGE 62

	YOS	Percent			
		Proposal	Current	RMA	Cumulative lifetime loss [1]
Enlisted [2]	30	73	100	104	24
Officer	30	80	100	104	19
Enlisted [2]	20	57	100	[3] 100	36
Officer	20	63	100	[3] 100	33

[1] Current dollars.

[2] Enlisted lifetime percent loss greater as, on average, enlisted retiree entered service at earlier age (4 yrs).

[3] For 10 years or until 30 YOS point (ages 49 & 53 respectively) RMA would provide 70 percent of current retired pay.

The current law requiring military retirees to forfeit the equal dollar value of any Consumer Price Index increases to their military retired pay from their federal civilian salary is rank discrimination. In essence, they must pay "Uncle Sam" for being a productive member of the federal workforce. No employer in private enterprise would dare to have the audacity to effect such a policy for his employees. But you can be assured that now the federal government has set the standard, state and local governments and private enterprise employers will follow suit.

No wonder if the Congress has seriously calculated the risk of losing skilled employees of this policy? For example, in the Rework Facilities of the Services. The mid-level management and skill force in these facilities are predominately military retirees. We are confident that they will not continue to work, or new retirees will not seek positions, if such discriminatory practice is allowed to continue.

The one year "look back" provision was adopted to ensure active duty members who decide to remain on active duty after becoming eligible for retirement, that they will not suffer a reduction in military retired pay when active duty pay increases fail to keep pace with inflation. The abolition of this provision of law would be most detrimental to the retention of the experienced, trained and highly desirable personnel the Services wish to retain on active duty beyond twenty years of service.

The proposal to freeze or cap the cost-of-living adjustments of retirees who receive more than current retirees of the same rank and years of service is to, in effect, repeal the Tower Amendment. The Tower Amendment permits those on active duty to look back and choose the most advantageous year upon which to base retired pay. It was done so as not to penalize service members for remaining on active duty past retirement eligibility. If the Tower Amendment is nullified, eventually all military members, active and retired, could be affected.

At the present time, the Department of Defense is conducting the Fifth Quadrennial Review of Military Compensation (QRMC). The year-long study of compensation and retirement is to be completed by 1 October 1983. The study will undoubtedly contain recommendations to revise the military retirement system.

To allow the proposed changes to military retirement in the fiscal year 1984 budget to be enacted prior to learning of the QRMC's proposals and rationale is foolhardy and negates the purpose of the Quadrennial Review which the Congress established. The FRA and AFSA strongly advise against allowing this to happen. We urge the Congress to await the findings and recommendations of the Quadrennial Review.

Mr. Chairman, attached to our testimony is a reprint of an article from the April 1983 issue of "Proceedings" published by the Naval Institute. The article is entitled, "Military Retirement Pay: A Time of Crisis". It is written by Captain Thomas M. Hale, U.S.N., currently the Head, Compensation Policy Branch (OP-134), on the staff of the Chief of Naval Operations. We commend this three page article and accompanying charts to your perusal. We request that it be made part of the record of these hearings. Captain Hale places the military retirement system in its proper perspective and explains many of the common misconceptions and misunderstandings regarding military retirement.

CLOSING REMARKS

In closing Mr. Chairman I, as a military retiree, would like to make an observation. The United States currently has approximately 30 million veterans. Each of them has served our country unselfishly. Each of them, by that service, have been exposed to the vicissitudes of military service and have had the opportunity to choose a military career. But for a variety of reasons, approximately only one in ten chose a military career. The others did not choose to endure the deprivations and hardships a military career demands. But now, as we reach the fruition of the just compensation of that military career, many citizens regard us as being akin to social parasites receiving some form of government largesse!

I and my Shipmates are proud of our service to our nation. We knowingly chose the military as a career. We agreed to abide by the rules. But we believe it is grossly unfair to change the rules without due consideration and thought to meet the short term demands each time the nation endures a financial crisis.

On behalf of the more than 300,000 Service personnel and their families for whom I am speaking, I thank the Committee for this opportunity to appear.

[From the Proceedings, April 1983]

MILITARY RETIREMENT PAY: A TIME OF CRISIS

(By Capt. Thomas M. Hale, U.S. Navy)

In recent testimony before Congress, Vice Admiral Lando W. Zech, Jr., the Chief of Naval Personnel, said military retirement pay was one of the strongest career incentives that the government provides for the career military man.[1] Yet, recent changes to military retirement pay have seriously eroded its value. The military retirement pay system is losing the competitive edge that it has traditionally enjoyed over the other private and public sector retirement systems.

It is ironic that the loss of retirement pay value has closely followed the largest military pay increases in recent history. It also comes at a time when all the services, particularly the Navy, are in the process of building up force levels to meet national military strategy objectives.

The Fifth Quadrennial Review of Military Compensation (QRMC) convened on 1 October 1982 to begin a year-long study of military compensation. One of the QRMC's objectives is to study the military estate system, of which military retirement pay is the predominant component. The results of the QRMC could have a profound impact on the future value of the military compensation system.

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[1] "Hearings On The Uniformed Services Former Spouses Protection Act" before the Subcommittee of Manpower and Personnel of the Committee on Armed Services, U.S. Senate, 29 April 1982. U.S. Government Printing Office, Washington, D.C., p. 191.

Nondisability retirement is the element of the military retirement system with which most active duty members are familiar. It provides an entitlement to retirement pay upon completion of a minimum of 20 years of active service. The level of retirement pay is computed on the basis of 2.5 percent of final basic pay multiplied by each year of qualifying service to a maximum of 75 percent of basic pay after 30 years of qualifying service.

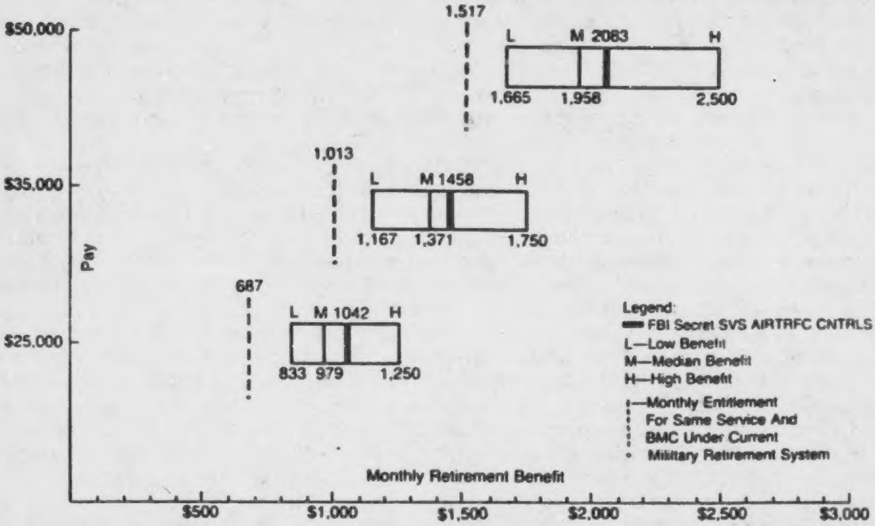
Military retirement pay is an integral part of the military compensation system. The compensation package includes the active duty cash pay elements, retirement pay, benefits such as medical care, and nonpecuniary factors such as sick leave. As an integral part of the compensation package, changes to the value of retirement pay have a direct influence on the size and composition of the active duty force. Changes which adversely affect the value of the system will have a deleterious effect on either retention or recruiting, or both.

By the end of the 19th century, career military members commonly retired after 30 years of service with a generous retirement income. This was at a time when the country ws experiencing the beginnings of the industrial revolution and workers had no job security. Those who could not work depended upon family support or lived in locally provided old people's homes. It was not until the 1930s that as much as 10 percent of the working population was covered by company-sponsored pension plans. By that time, the Navy had already experimented for several years with a 16-year enlisted retirement pay program, at about one-third pay. The 20-year plan for enlisted personnel was enacted in 1925 and remains essentially the same today.

In contrast to military retirement, pensions in the private sector are relatively recent phenomena. Only a few companies provided pensions of any kind by the turn of the century. Pension plans were not important because of the abundance of workers and the strong traditions that families had of taking care of the elderly. This changed with the post-World War II economic boom and the advent of the mobile family. Pension plan coverage grew slowly to about 25% of the work force in 1945. Coverage has doubled since then. The large companies often combine attractive pension plans with thrift plans which allow employees to purchase company stock at preferred prices or company-matched contributions to private savings accounts. The percentage of noncontributory pension plans has grown dramatically in recent years, largely because of tax incentives which provide near-term tax write-offs in exchange for deferred costs. While critics of the military retirement system often point to the noncontributory nature of the system, such plans are the norm in industry. A 1980 Banker's Trust Company study of private sector plans found that more tha 80% of pension plans were noncontributory. In addition, the law requires that all private sector plans be vested—i.e., establish a nonforfeitable right—by the tenth year of company employment. This law, the Employees Retirement Income Security Act of 1974—called the ERISA law—provides substantial federal protection against arbitrary changes to pension plans after vesting, specifies minimum funding criteria for pension plans, and provides a federally guaranteed insurance program to protect vested employees from bankruptcy and other losses. Because of the ERISA law, ten-year vesting has increased from less than 10% of pension plans in 1960 to the minimum vesting threshold in all private sector plans. Military retirement is now the only retirement system in the country that is not vested by the tenth year of service.

Post-retirement increases of some kind are offered in more than 70% of the pension plans studied by the Banker's Trust Company. Federal retiree cost-of-living increases were recently reduced to approximately one-half the increase in the Consumer Price Index (CPI) for a three-year period. The President's fiscal year 1984 budget assumes that the reduction will be made permanent and, in addition, includes a total freeze on any cost-of-living increase for fiscal year 1984.

Table 1 *Twenty-Year Retirement Annuity Typicals—Police And Firefighters*



A criticism often levied against the military system is that it provides a lavish post-retirement income. However, a recent General Research Corporation study concluded differently.[2] Table 1 compares the 20-year military retirement pay entitlement with 15 typical 20-year police and firefighter pension plans selected from around the country. Also compared is the special civil service retirement benefit for civil servants who perform dangerous or stressful work. Many of these jobs are similar to military duties: federal prison guards, firefighters, and FBI and Secret Service agents. This plan provides for a 20-year retirement if the employees has attained 50 years of age. At each salary level, the monthly income of the military retiree significantly lags behind that of his counterparts in the police and firefighter plans and the special service benefit. In fact, the military entitlement is below the pension found in all the other pension plans.

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[2] Rader, Norvin E., et al., "Military Compensation and Quick Reaction Support, Volume I, Analysis of Proposed Retirement Pay Alternation," General Research Corporation, McLean, Va., May 1982. Prepared under Navy Contract No. N00600-82-C-1096, pp. 2-7 through 2-11. Based on an earlier study by Posner, Jack I., et al., Retirement Plan Alternatives, Volume I—Analysis, General Research Corporation, McLean, Va., December 1980. Prepared under Navy Contract No. N0014-80-C-0290.

Table 2 *Thirty-Year Retirement Annuity Typicals—Police And Firefighters*

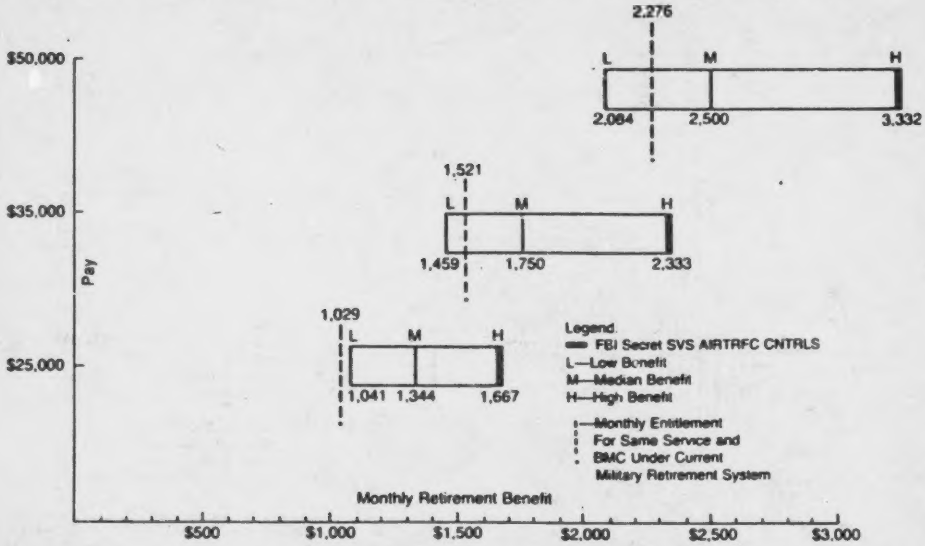


Table 2 shows a comparison of 30-year military retirees with similar income employees in the same sample police and firefighter plans. In this comparison, the military entitlement is beginning to enter the lower end of the pension range, but is still below the median benefit. The 30-year military retirement is relatively more attractive than the 20-year retirement because some police and firefighter plans do not steadily increase pension multipliers between the 20th and 30th years of service as does the military. On the other hand, they fare better in monthly pension amounts because the multiple is usually based on some average of total cash pay. This is generally more advantageous than the military plan, which is based on multiples of basic pay. Basic pay is only about 75% of basic military compensation (BMC)—the total of basic pay, basic allowance for subsistence, basic allowance for quarters, and the tax advantage derived from the two tax-free allowances—which is roughly the equivalent of civilian pay. The military entitlement in the tables is tranposed to represent a final BMC salary level to enhance comparability.

Table 3 *Thirty-Year Retirement Annuity Typicals—Private Sector*

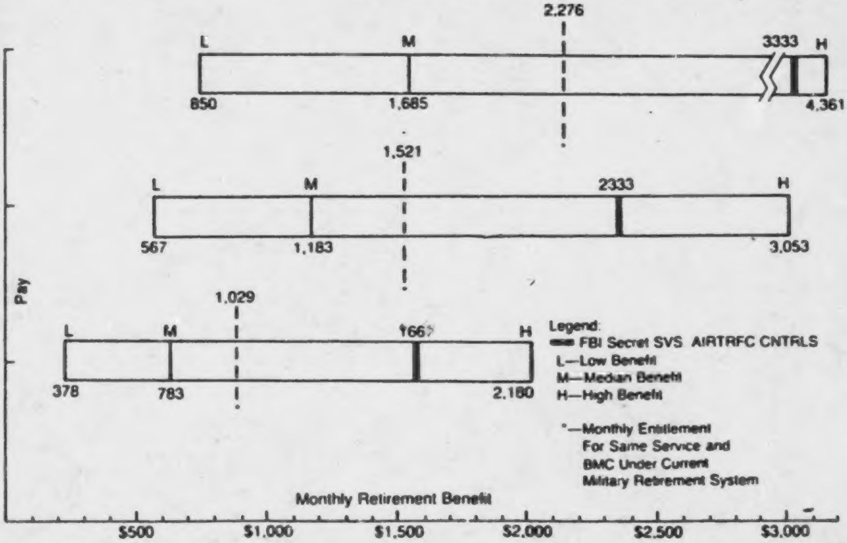


Table 3 shows military retirement income measured against 30-year pensions found in a comparison with 90 private sector plans. In this case the military entitlement is above the median but considerably below the high end of the range. The comparison suggests that military retirement is not as exorbitant as some may suggest.

The military retirement system is provided by law, and changes to the system can be enacted by Congress. On the other hand, private sector employees, once vested in a pension plan, are protected against changes to the plan by the ERISA law. Table 4 provides a compilation of recent changes to the military retirement entitlement, and shows that all changes to the military retirement pay system since 1975 have been at the member's expense. Some have been significant. The imposition of high-three averaging to members who joined the military after 8 September 1980 will significantly reduce benefits to military nondisability retirees beginning with 20-year retirees in the year 2000. Those new members retiring on disability retirement are already being affected by this law.

Table 4 *Recent Major Changes*

Cost to Government	*Cost to Members*
Services placed in social security system (1957)	Services placed in social security system (1957)
Established cost-of-living adjustments to retired pay (1963)	Elimination of recomputation of retired pay (1958)
One-year lookback (1967)	Eliminate 1% kicker—adopt semi-annual adjustments (1976)
1% kicker (1969)	High 36 months in lieu of final pay (1980)
Towers amendment lookback (1975)	Elimination of tenure for 0–4s (1980)
	Annual cost-of-living adjustments (1981)
	Elimination of 6 months plus 1 day rounding (1982)
	One-half CPI 1983, 1984, and 1985. Change annual to 13 months for these three years (1982)
	Retired pay treated as community property in divorce proceedings in certain states (1982)

Like most other recent changes to military retirement. Congress enacted the high-three law without any hearings or comment from the services on how the change would impact the force. It was a poor attempt to phase in a retirement system similar to high-three averaging of the civil service. The civil service system is considerably more advantageous since it averages total pay, including overtime, while the military member will average only the last three years of his basic pay, which is typically 25% less than his economic equivalent civilian counterpart receives in pay.

The most severe degradation in the value of military retirement pay is the 1982 change which reduces the annual CPI increase to a complex formula which approximates an annual increase of about one-half a CPI increase for retirees under the age of 62. The reduction in the cost-of-living increase was promoted as a reform of all federal retirement systems but actually disproportionately impacted on military retirees since more than 80% of federal retirees under the age of 62 are military retirees. An unintended impact of the 1982 law is that it affected the lower paid enlisted member more than any other category of government employee. Assuming that the three-year limitation of the law will be extended indefinitely, the total loss of value of retirement pay will be considerable. For example, using Office of Management and Budget inflation estimates, the typical E–7 retiring in 1983 at age 41 with 20 years of service will see the value of his retirement pay reduced by approximately 46% by the time he reaches age 62. This severe impact is a result of the compounding effect of the loss of one-half CPI adjustments for the 21 years the member lives until full CPI adjustments begin again at age 62. This compares with considerably less reduction for higher ranking and better paid military and civilian retirees who are older when they retire and thus "lose" less money. When degradations of such magnitude are made to the military compensation package it affects the force structure. Navy analysts estimate that career losses will amount to more than 14,000 by the end of 1988 because of this one change. Wage and training replacement costs for these losses could easily exceed retirement "savings." This change to the retirement system was enacted as part of the budget reconciliation process. In an all too typical fashion lately the law was introduced and passed by Congress with scarcely a day of debate. There were no hearings held and no opportunities for military leaders to provide an assessment of the change on the impact on the force structure or the morale of the force.

Criticism of the military retirement system sometimes focuses on the retirement income of senior ranking officers. Actually, less than 1% of the retirees are general and flag officers. Often ignored is the much more representative community of enlisted retirees. More than 70% of all nondisability retirees are retired from pay grades E-8 and below.

Contrary to the public image of the military retiree with an overly generous pension, the typical retiree receives in the neighborhood of $600-800 per month, hardly extravagant and certainly not enough to live on. The typical military retiree does not really retire at all; he must work to maintain any semblance of his former standard of living, starting a new career at middle age at a time when his financial needs are beginning to peak. On the other hand, his civilian counterpart is well established in his career and is progressing steadily upward from his middle-age achievements.

In many cases, the military member has no choice but to change careers short of a full 30 years of military service. Promotion laws and policy decisions designed to maintain healthy promotion flows in overmanned grades or skill areas tend to drive the force toward early retirement. This places the retired member at a career disadvantage with respect to his civilian cohort. At least part of the rationale for military pay is to provide for a degree of financial security in return for the lack of civilian job experience and other sacrifices made by the member during the course of his or her career. It is also used as a management tool to keep the fighting force young.

Military retirement pay is not vested. It is at best a conditional entitlement, contingent on circumstances. For example, a retiree is not entitled to retirement pay when he or she is recalled to active duty. While this may sound reasonable to the military member, one must remember that the retired General Motors employee is not subject to recall by his company. His pension is his for life, with no strings attached. A military retiree is unique in that he will always be a member of the military and subject to orders. Most retirees were recalled to active duty for World War II, and approximately 40% of current Navy retirees are slated for recall in time of mobilization. At least part of military retirement pay is reduced pay for services rendered by being available for recall.

Other conditions associated with receipt of retirement pay include prohibition against being employed by a foreign government without prior congressional or secretarial approval; statutory reductions of retirement pay for Regular officers employed by the federal government; prohibition against Regular officers selling to the Department of Defense or other specified agencies for three years following retirement; and failure of Regular officers to furnish an annual statement of employment. These and other conditions are not found in other retirement plans, making the military retirement system unique compared with all other public and private sector plans.

Some general conclusions follow concerning the military retirement system.

It predates most other pension plans in the country. The criticism that it is overly generous now may be compared with 75 years ago when the military got a retirement income after 30 years of service and most other workers got no retirement income at any time.

It is not extravagant compared with other plans in the public and private sector.

Recent changes to the military retirement system have significantly degraded the value of the compensation system.

Military retirement pay is an integral part of the compensation "package." Changes to retirement pay will have an adverse impact on the active duty force structure just as any other adverse change to the military compensation system.

Retirement pay serves multiple and diverse purposes; it is at least partly pay in return for the sacrifices a member makes during a career. It is reduced pay for the reduced services of being available for recall. It is a management tool with the dual purpose of encouraging members to remain for a minimum of 20 years of service and to keep the force young by encouraging or, in many cases, forcing retirement after 20 years of service. Finally, it is an old-age pension for those too elderly for recall and who are beyond their working years.

A stable and reliable retirement system provides a valuable adjunct to the rest of the compensation system. Because it is not vested by the tenth year like all other pension plans, it is a relatively inexpensive means of providing for an experienced career force (only about one in nine enlistees ever receives any form of retirement pay).

Unfortunately, additional adverse changes to retirement pay can be expected as Congress continues to search for short-term defense budget savings. This, in turn, will aggravate retention and certainly cause higher near-term budget costs in the future as the deferred costs of retirement pay are moved forward in the form of higher active duty pay and bonuses in order to maintain force levels.

The QRMC should review the total cost, including the impact on the force structure and the hidden costs associated with retention losses, that any radical change to the current system will have. Any radical change to make the military retirement entitlement similar to civilian pensions will likely cost more than the current system. This is because of the hidden wage and training costs to replace lost careerists and the high-cost of ten-year vesting. Early vesting would be required in any plan purporting to reflect the private sector. Also, any reduction in retirement pay without corresponding offsets in the form of higher pay and bonuses will significantly affect the active duty force's size and structure.

The limited agenda for the QRMC offers an opportunity for the administration to take the initiative in addressing the military retirement pay issue. The timing is right for a major study of the military retirement pay benefit, the importance of the benefit to the military member, and the cost-effectiveness of the current system compared with other ways of recruiting and retaining the desired force.

FRA's Rationale for a 1983 Military Pay Raise

INTRODUCTION

The Fleet Reserve Association contends there are valid grounds for at least a minimum 1983 military pay raise to protect the purchasing power of active duty personnel's dollars. We base these grounds not solely on equity but on the practical fact of what is good for our national defense's readiness edge . . . our skilled and trained people in the Armed Services.

We sincerely appreciate the Administration's past performance of increasing basic pay by 11.7 percent in 1980 and 14.3 percent in 1981. We recognize that its recommendation was for an 8 percent increase in 1982 which because of the Congress, fell to 4 percent. However, to impose a pay freeze on the military as an example of government austerity is, we believe, erroneous and indefensible. Please keep in mind, that military compensation is composed of basic pay and allowances and we are speaking of increasing only basic pay.

THE CONTINUING RESOLUTION ACT OF 1982

One must review the results of the Congress' fiscal year 1983 Continuing Resolution Authority (CRA) to have a clear picture of the military compensation issue. In the first instance, the "CRA" serves as a DOD appropriation bill for fiscal year 1983. Unfortunately, personnel compensation issues were not considered and acted on individually. For example:

1. The "CRA" capped the basic pay increase at 4 percent vice the 8 percent recommended by the Administration.
2. It directed Department of Defense to absorb 25 percent of fiscal year 1983 pay increase; forcing Department of Defense to "rob" Operation and Maintenance funds for personnel.
3. While extending authority for Special Reenlistment Bonus (SRB) through 31 March 1983, it reduced the funding by a total of $67.3 million.
4. It upheld the cap on Variable Housing Allowance for fiscal year 1983. The cap is at 4 percent. Originally, VHA was set at 115 percent of the going rental rate in an area. It is now at 119.4 percent, a 4 percent increase, but housing costs nationwise rose over 9 percent in 1982!
5. It reestablished surviving spouse benefits in Department of Defense's budget. These were lost under the Omnibus Reconciliation Act of 1981. This is at an unexpected cost of $74 million to Department of Defense in fiscal year 1983 which the Defense budget has to absorb.
6. The proposed 1982 pay bill contained the authorization for:
   a. Basic Allowance for Subsistence (BAS) for members on sea duty;
   b. Temporary Lodging Expense; and,
   c. Environmental and Morale Leave. All three of these items were deleted in the fiscal year 1983 "CRA"!
7. Service members and dependents "MALT" and household good weight allowance increase were frozen at the fiscal year 1982 levels!

THE RESULTS OF THE CONTINUING RESOLUTION ACT OF 1982

As a result of these actions of the "CRA", the Navy has been forced to take the following actions:

1. The Navy had to "eat" several million dollars to compensate for the missing 25 percent of the pay raise.

2. The Navy has had to slow down promotions: (a) for enlisteds, no, more promotions from January 1982 to June; (b) officer promotions will be quarterly vice monthly.

3. Permanent Changes of Station have been drastically slowed down: (a) The Navy has requested personnel for voluntary extensions; (b) We believe a mandatory extension policy will be implemented later this year.

4. All of the Services are enduring the same personnel financial hardships. The restoration of the Selective Reenlistment Bonus prior to 31 March 1983 is an absolute must if we are to retain certain experienced and skilled personnel. To lose them is false economy!

MILITARY PAY COSTS AS PART OF THE DEFENSE BUDGET

Due to the preachings of previous Administrations, the lawmakers and the press, the public has been led to believe that 50 to 60% of the Defense budget is absorbed by personnel costs. When one mentions personnel costs of the D.O.D. budget, naturally everyone thinks of military personnel. But, remember, D.O.D. employs well over one million civilian employees! Their pay roll is proportionately double that of the military pay roll! In the FY '82 D.O.D. budget: (a) Active duty personnel pay costs totaled only 15.6% of D.O.D.'s budget! (b) Military retired pay totaled only 6.4% of the D.O.D.'s budget!

Using all fixed, overhead costs directly related to personnel, (such as training, medical, housing, travel, etc.) the total personnel costs are only an additional 22% of D.O.D.'s budget!

PERSONNEL RETENTION IS THE KEY TO READINESS

1. Surely, you have not forgotten the lesson of the Carter Administration's disastrous personnel compensation policies, and we mean not just the losses, but the threat of losses (Carter's Blue Ribbon Commission on Military Retirement, etc.). In the late 1970's, the Navy suffered the loss of 22,000 skilled, experienced, mid-career petty officers. Retention was at its lowest ebb since World War II in ALL of the services!

2. The Navy has not yet recouped from these losses. They are still about 13-15,000 petty officers short. The Navy predicts it must enjoy the good retention rate of 1982 as well as its current recruiting success continuing, for a full five years to fully recover. We are sure that you are aware that the loss of a mid-career, skilled and experienced petty officer is not replaced by a new recruit.

3. It will be of little value to budget for and build the ships to comprise a 15-carrier battle group Navy and not have the qualified personnel to man the Navy!

4. Do not count on the unemployment rate in the private sector to be an effective retention tool. History has proven:

a. That only one in eleven enlisted who enter the service remain until retirement!

b. There are job opportunities for skilled technicians in the private sector and those are just the personnel who will leave!

c. The Services have educated and trained these personnel and it is foolish to lose that investment for the want of a comparatively small sum of justifiable pay new.

THE MILITARY PERSONNEL'S PERCEPTION OF FUTURE EVENTS

1. Let's be realistic and look at the future prospects in personnel perceptions in FY '83:

a. Personnel must endure a pay freeze as an example of government austerity;

b. In the late summer of 1983, the 5th Quadrennial Review of Military Compensation and Retirement will be released and we all know it will contain recommendations to change the Military retirement system (a very real concern of career enlisted personnel); and,

c. Very possibly, the Administration will NOT be able to recommend an equitable military pay raise, including a catch-up raise for military personnel, in its FY '85 budget.

Now, just where do you believe that will leave the morale and faith of the military personnel? What will their reaction be?

THE BOTTOM LINE: A MILITARY PAY RAISE IN 1983

1. Military personnel deserve at least a minimum pay raise equal to the rise in the Consumer Price Index between October 1, 1982 and October 1, 1983!

2. The Department of Defense FY '83 budget contains approximately an 8 to 9% real growth in dollars. But not one dollar of the real growth is slated for people!

3. Remember the cry in the issue of the Barbary Coast pirates, "Millions for defense, but not one cent for tribute!"? Beware, that the cry in 1983 does not become, "Billions for weapons and not one cent for PEOPLE!"

Very clearly, a 1983 military pay increase is justifiable any way you wish to consider the issue. Whether you base it on equity for personnel or on the defense needs of our nation.

In the words of the late U.S. Representative L. Mendel Rivers, Chairman of the House Armed Services Committee, "American service personnel and their families are entitled to receive a standard of living at least equal to that which they are defending for their fellow Americans."

Senator **Jepsen**. Thank you, Mr. Nolan.

Mr. Sheffey.

STATEMENT OF JOHN P. SHEFFEY, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

Mr. **Sheffey**. Mr. Chairman, I am John P. Sheffey, the executive vice president of the National Association for Uniformed Services.

You have my written statement and I want to emphasize only two main points from it, one of which you have already preempted in your opening statement. Those are the unique nature of military service and the other is the damaging perception that service members often have of congressional attitudes toward their compensation.

There is really no valid way to compare military compensation with compensation for other employment. Few people would choose careers in the uniformed services over civilian careers with equal pay and comparable job security. Because of the transient nature and special liabilities of service life, service pay and allowances simply do not permit the same standard of living at savings that are permitted by equivalent pay in comparable civilian employment.

The traditional noncash benefits are essential to attract the quality of people we need. Benefits such as early retirement, medical care, and commissaries do serve to compensate for the unique fringe liabilities of service life. In my statement there are 14 such liabilities, they are found in no other career.

Comparisons of pay are meaningless unless accompanied by comparisons of the economic costs of military and nonmilitary careers at the same pay level. Comparisons of average net worths of civil service and military people after 20 years of service would be a true measure. This, of course, is impossible to obtain. But a valid sampling, for example, of the accumulated equity in family housing should not be difficult to obtain and would serve almost as well. I am positive you will find the military far behind.

The greatest current pay and benefits problem is the perception by the service member that his promised pay and benefits may not materialize. Someone in Congress is always seeking to reduce some element of his compensation. The midcareer service member sees his planned 20-year retirement threatened. The retiree sees his cost-of-living adjustments reduced and a threatened increase in the cost of medical care. Active and retired members see the savings in their commissaries and exchanges reduced and the very existence of commissaries threatened. All are concerned about the failure of their pay to keep up with inflation.

Although the Congress is unlikely to approve some of the more drastic proposals that have surfaced in recent months, the threat is there and some damage is done.

Our statement lists seven actions taken in recent years that have reduced the real value of military compensation. Four more are pending in the 1984 budget, and an additional four have recently been suggested.

One cannot blame the service member for lack of faith in the integrity of the compensation system. Can you imagine the managers of a large industry conducting their labor relations in such a manner?

The fifth quadrennial review of military compensation will soon be reporting to the Congress. Changes and threatened changes in compensation would be far less damaging to service people if they were tied to the quadrennial review as far as could possibly be done. Not only would this reduce the aggravation of having some element of compensation under attack all the time, but it would also insure that each change is weighed in the context of total military compensation rather than in isolation.

The National Association of Uniformed Services supports the recommendations you have already heard or will hear from the other military associations represented here today. I would like to emphasize two of them in particular.

We very strongly recommend that there be an active-duty pay increase this year, however modest. Not only do the Active Forces need such pay increases but they need the perception that the Congress is looking out for their interests.

We also strongly urge that the half of CPI cost-of-living adjustment for retirees under age 62 be rejected. Adoption of a permanent one-half COLA cap for such retirees would unequally distort the constant dollar value of the retired pay of such individuals for all their years after 62.

We in NAUS recognize that the huge growth in Federal retirement costs requires acceptance of something less than a hundred percent inflation protection of military retired pay, civil service annuities, and social security. However, if COLA caps are necessary they should apply to everyone in all the Federal system. Not only will this prevent inequitable differences after age 62 but it would also permit the same savings in retirement costs at much lower COLA reduction.

In closing I would like to assure you that I believe the Congress has been fair and even generous in setting military compensation in recent years. The Armed Services Committees of both Houses have supported many compensation measures needed to attract and retain high-quality people. We in the military associations represented here today are not now asking for significant increases in military compensation. What we are recommending is that you maintain the real value of current compensation and avoid measures that the service members perceive as breaking faith with them.

Thank you for this opportunity to appear before you.

[The prepared statement of John P. Sheffey follows:]

PREPARED STATEMENT BY JOHN P. SHEFFEY, EXECUTIVE VICE PRESIDENT, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

Mr. Chairman, gentlemen, I am John P. Sheffey, Executive Vice President of the National Association for Uniformed Services (NAUS). Our association's membership is drawn from all the seven uniformed services of the United States; active duty, retired, reserves, veterans, and their spouses or survivors. Our mission is to uphold the security of the United States by supporting activities that preserve and improve the attractiveness of service careers and sustain the morale of the uniformed services. We work on the "people things" such as pay, retirement, survivor benefits, and the traditional entitlements that make a service career a way of life rather than just a job.

Witnesses from the Department of Defense and other military associations have already testified or will testify on most of the specific compensation issues that are currently before you. I will not attempt to cover all of them again. Instead, I would like to give you our Association's recommendations for your general concept of military compensation, cite the most important current problems, and suggest solutions for some of them.

There is no valid way to compare military compensation with compensation in other employment, either government or private.

Few people would choose careers in the uniformed services over civilian careers with equal pay and comparable job security. Because of the transient life, service pay and allowances simply do not permit the same standard of living and savings that equivalent civilian pay permits. The traditional non-cash benefits are essential to attract the quality people we need. Benefits such as early retirement, medical care, and commissaries do serve to compensate for the unique "fringe liabilities" of service life. What other work is comparable? Only military service involves all the following liabilities:

No established workday or week—on call 24 hours per day, no extra pay for overtime work or the hazards of alerts, tests, field exercises, and the ultimate hazard—combat.

High physical standards for entrance—failure to continue to qualify results in elimination.

Job instability and frequent disruption of family life and financial losses caused by frequent change of duty stations. Interruption in education of children. Inability to become established in a community, thereby precluding advantages available to permanent residents, such as selecting a reliable and responsive family doctor and lawyer. Need to travel long distances to maintain family ties.

Reduced opportunity to buy a home or make other property investments in a community to build savings.

Restrictions on freedom—lack of choice of job and location, post-career limitations on jobs and pay, and restricted by law from certain practices against which there is no prohibition for the general public.

Subject to military discipline and court-martial—sacrifice of some of the constitutional freedoms of civilians.

Hazardous occupation—greater risks to health, life and limb—even in peacetime when training for emergencies.

Promotion "up" or selection "out."

Two-career lifetime—early forced retirement necessitates second career.

Marginal living conditions—in some areas, forced to live in substandard housing, commute long distances, or to purchase a home at a large down payment with possibility of financial loss upon short-term resale.

No vested retirement equity before completion of 20 years of service.

Permanently subject to recall to active duty in emergencies after retirement.

Duplicate wardrobe—requirement for mandatory uniform items as well as civilian clothes.

No right to resign at will.

I urge you to treat military pay and benefits as a package, not as a collection of disparate elements. I also suggest that only pay and allowances be considered for comparability with other employment, and that other benefits be treated as compensation for the "fringe liabilities" of service careers.

Comparisons of pay are meaningless unless accompanied by comparisons of the economic costs of military and non-military careers at the same pay levels. Comparison of average net worths of civil service and military service members after 20 years of service would be a true measure of pay comparability. This is probably unobtainable, but a valid sampling of equity in family housing should not be difficult and would serve almost as well.

The Congress has been fair and reasonably generous to the military in recent years. Military pay and benefits for other than senior officers are generally competitive with civil service and private industry pay. I believe the greatest pay and benefits problem is the perception by the service member that his promised pay and benefits may not materialize. Someone in the Congress is always seeking to reduce or eliminate some benefit. The fact that the total value of pay and benefits for both the active and retired service members is greater today than before is overshadowed by their fears that nothing is secure. The mid-career service member sees his planned 20-year retirement threatened. The older retiree sees his cost-of-living adjustments reduced and threatened increases in the cost of his medical care. Active and retired members see the savings in their commissaries and exchanges reduced and the very existence of the commissaries threatened. Although the Congress is unlikely to approve the more drastic proposals that have surfaced in recent months, the threat is there, and the damage is done.

Military retired pay is always under attack. It is unfortunate that the exposure of most members of Congress to the military retiree is to senior officers working at second careers in Washington. The average member of Congress seems to have a mental picture of the typical military retiree as a retired colonel "double dipping" as a Civil Service employee or a retired general in a well-paid industry position. There are a few hundred such individuals. Their current positions merely demonstrate that the uniformed services have had in them some very competent people and had most of them for less pay than they could have earned elsewhere. What is too often ignored is that 73 percent of the 1.3 million military retirees are in enlisted ranks. Their average retired pay is about $9,000/year. The majority of retired officers are lieutenant colonels and below. The average of all officer retired pay is about $17,000/year. The Congress does not see the retirees' scars from repeated family separations, the physical hardships and dangers most have endured, and the foregone savings in homes and investments that their civilian counterparts have accumulated. Most of them are in the ages when their family expenses are greatest. They cannot live on their retired pay. They have to work, and the great majority planned to do so from the day they decided to stay in the services until eligible for retirement. The prospect of having military retired pay during a second career, started at a disadvantage late in life, was a major factor in their decision. You have an inescapable obligation to keep faith with them.

Following are some of the piecemeal reductions and proposed reductions in military pay and benefits in recent years that show why service members feel that they are a beleaguered group:

ACTIONS TAKEN

The uncoupling of active duty and retired pay.

The annual active duty pay caps that negated pay comparability.

The abandonment of twice-a-year COLA's and the one percent kicker.

The several laws that uniquely discriminate against the military retiree in the Civil Service (total pay ceiling, dual compensation pay reductions, offset of military retired pay COLA's against Civil Service pay, and the new requirement for cash deposits in the Civil Service Retirement Fund to receive annuity credit for military service).

The progressive one-month postponements of annual COLA's through FY 1985.

Authorizing only a one-half COLA for retirees under age 62 through FY 1985.

The recent legislation subjecting military retired pay to division as property by divorce courts.

Basing retired pay on "high-3" average pay for all who entered service after Sept. 8, 1980.

FISCAL YEAR 1984 BUDGET PROPOSALS

Freeze military pay at current levels.

Make permanent the one-half COLA ceiling for retirees under age 62.

Eliminate the one-year look back for computation of retired pay.

Round down monthly retired pay to next lower dollar.

OTHER THREATENED ACTIONS

Charge user fees for dependents and retirees use of military medical services.

Eliminate 20-year retirement or reduce or deny immediate retired pay for such retirements.

Establish a 100 percent offset of military retired pay in Civil Service employment.

Adopt "high-3 average" for calculation of retired pay immediately.

In these circumstances, one cannot blame the service member for lack of faith in the integrity of the compensation system. Can you imagine the managers of a large industry conducting their labor relations in such a manner? The Congress has effectively prohibited such conduct by private business through labor legislation and the creation of the National Labor Relations Board. Civil Service and Postal Service employees enjoy many of these protections and the support of strong unions, but the Congress remains both judge and jury in military compensation issues. The military are forbidden by law to unionize. This is as it should be, for military employment is different from any other, and our Constitution assigns to the Congress the power to raise armies. But this places a tremendous responsibility on the Congress—expecially on your Subcommittee—to make career military service attractive to high quality people.

The Fifth Quadrennial Review of Military Compensation will soon be completed and reported to the Congress. One of the objectives in establishing the quadrennial review system was to provide a regular re-evaluation of military compensation as a total package and to avoid the demoralizing continuous attacks on its various elements. It has failed to accomplish the latter, and I accept that this can never be fully accomplished. Neither the services nor the Congress would want to be limited to the four-year cycle for compensation changes. However, changes and threatened changes in compensation would be far less disturbing to service people if they were tied to the quadrennial reviews to the maximum extent feasible. Not only would this reduce the aggravation of having some element of compensation under attack all the time, but it would also insure that each change is weighed in the context of total military compensation rather than in isolation.

The National Association for Uniformed Services supports the recommendations you have already heard or will hear from the other military association representatives here today. I would like to emphasize two of them particularly:

We strongly recommend that there be an active duty pay increase this year. Not only do the active force members very much need and deserve pay increases, but also they need the perception that the Congress is looking out for their interests. Right now, most of them feel that they are called upon to bear an unfair share of the current economic burdens simply because their pay is under your control while that of the vast majority of Americans is not.

We also strongly urge that the one-half CPI cost-of-living adjustment for retirees under age 62 be rejected. Adoption of a permanent one-half COLA cap for such retirees would unequally distort the constant-dollar value of the retired pay of such individuals for all their years after age 62. Once more, the Congress would be creating huge retired pay inequities such as created by the de-coupling of active duty and retired pay adjustments in 1958. This has resulted in a great variation in the retired pays of individuals with the same service and grade attainments. The one-half COLA proposal would cause similar distortions.

We in NAUS recognize that the huge growth in federal retirement costs requires that something less than 100% inflation protection of military retired pay, Civil Service annuities, and Social Security be accepted. However, if COLA caps are necessary, they should apply to everyone—not just to those who are younger than 62. Not only will this prevent inequitable differences after age 62, but it will also permit the same total savings in retirement costs with a much smaller COLA reduction.

I thank you for this opportunity to appear before you.

Senator **Jepsen**. Thank you, Mr. Sheffey.

Sgt. Maj. Mack McKinney, senior vice president for governmental affairs of the Noncommissioned Officers Association. Mack?

STATEMENT OF SGT. MAJ. C. A. McKINNEY, USMC (RETIRED), SENIOR VICE PRESIDENT FOR GOVERNMENT AFFAIRS, NONCOMMISSIONED OFFICERS ASSOCIATION

Sergeant Major **McKinney**. Thank you, Mr. Chairman.

The Noncommissioned Officers Association of course extends its appreciation for allowing me to appear today, representing its membership.

Once again we extend to this panel further appreciation for taking the lead in providing the targeted pay increase for career enlisted personnel in 1981.

We believe that that particular action did more to turn around the then falling retention rates than any other piece of legislation that has come out of Congress since the beginning of the All-Volunteer Force.

Now you are faced with the crucial question of adopting the administration's pay freeze proposal, following a pay cap of 4 percent last year; or adopting legislation that will offer some financial relief to service members who are faced with the continuation of paying a major proportion of PCS transfers out of their own pockets, and more so now with the increase in gasoline taxes.

Of course, they were faced with a loss in the fiscal year 1983 VHA rates and proposed rates for fiscal year 1984.

I might add here, Mr. Chairman, that almost one-third of our force are transferred each year. So there is one-third of our people who are always affected by those out-of-pocket expenses.

Then, of course, there are many other contingencies related with serving one's country as a member of the U.S. Armed Forces. The generosity of this panel, particularly in 1981, revitalized the minds of many professionals so that they believed Congress was now committed to keeping their pay sufficiently adequate to support their families.

Comparability really means little to enlisted service members, as does the word competitive. What is of major importance to them is adequacy, and that should be the major factor in considering any pay increase for military personnel, whether it is adequate.

If Congress fails to meet that adequacy level, our professionals will once again "vote with their feet."

Is military pay adequate at this time? NCOA believes it is for some, definitely not for others. For example, the All-Volunteer Force prior to 1981 focused on major increases for junior and enlisted officer grades while ignoring the senior ranks. As it is today, pay for noncommissioned officers and petty officers, for example, has deteriorated in value as compared to pre-1972 junior enlisted pay.

NCOA further believes that a pay increase is justified and that consideration be given to addressing the pay compression issue that has plagued the professional ranks since the advent of the All-Volunteer Force. At least there should be an increase that retains the purchasing power of the military's 1981–82 dollar.

There are other areas of concern that have been addressed in my prepared statement. Hopefully, the committee will look at these while keeping in mind that the services' retention rate for qualified and experienced professionals has yet to meet the high levels recorded in 1975.

Last but not least, this panel—whether it wishes to be thrust into the role or not—is responsible for the services' retention program. In this respect it will have to stand and defend many unpopular issues. In addition to pay, this panel faces the question of adopting or disapproving the President's proposal to make permanent the reductions in COLA for retirees under age 62.

NCOA is of course adamantly opposed to this proposal and cautions the panel to go slow in making a decision on the proposal. The wrong decision based on only the premise that it will reduce the anticipated deficit may bring near disaster to the military forces. The nation cannot provide adequate and combat-ready manpower without its professionals.

As a final note, Mr. Chairman, my association rarely agrees with many defense officials, the General Accounting Office, and the Congressional Budget Office. Their views are normally based on dealing with statistics. NCOA—and I believe the other associations here—deal in experience. We believe the latter should have a greater effect on the decisions of Congress, particularly in the military manpower area, than that which considers only numbers and dollars.

Thank you, Mr. Chairman.

[The prepared statement of Sgt. Maj. C. A. McKinney follows:]

PREPARED STATEMENT OF SGT. MAJ. C. A. "MACK" MCKINNEY, USMC RETIRED, EXECUTIVE DIRECTOR FOR GOVERNMENT AFFAIRS, NON-COMMISSIONED OFFICERS ASSOCIATION OF THE UNITED STATES OF AMERICA

Mr. CHAIRMAN. I am retired Marine Sergeant Major C. A. "Mack" McKinney, Executive Director for Government Affairs, Non Commissioned Officers Association of the USA (NCOA).

My Association has a membership in excess of 250,000. More than 150,000 are non-commissioned and petty officers of the U.S. armed forces, a majority of them currently serving on active duty, in the reserve or national guard.

The Association also has chapters worldwide; in Europe, Asia, Africa, Hawaii, Alaska, Panama, aboard ships at sea, as well as in the Continental United States.

I extend the Association's appreciation for the invitation to appear today before your distinguished subcommittee and hope that this statement will assist you in determining some of the programs or provisions that should be included in the FY 1984 Defense Authorization Bill or a separate measure addressing only military compensation.

INTRODUCTION

The Administration's fiscal year 1984 budget request contains more than $280.5 billion in budget authority and $245.3 billion in outlays for defense and defense-related programs. This is an increase of more than $30 billion in TOA over fiscal year 1983 appropriations.

$2.45 billion of the increase is programmed for military personnel. However, none of the funds are "targeted" for a pay hike and very little is earmarked for "people programs." Instead, the added dollars are to be used to increase military manpower by 38,000 active duty servicemembers and 28,000 reservists and guardsmen.

NCOA is opposed to certain recommendations in the Military Personnel Account request. The Association believes that the Administration is forgetting the most important factor in providing a strong defense posture and in maintaining adequate readiness to meet the commitments the active duty, guard and reserve forces have around the world.

An old cliche is one that says that weapons are not much good without people to use them. NCOA believes this to be an absolute fact. It is obvious that the U.S. does not possess an arsenal of push-button weapons and, until that day comes, current systems must be manned and maintained by highly-trained, capable, and experienced personnel.

At the beginning of World War II and the Korean conflict the U.S. had quality NCOs, Petty Officers, and Commissioned Officers on hand to train and lead the multitude of young Americans that were inducted into the armed forces. They also were at-the-ready when the Vietnam conflict began. Many of the NCOs/POs were commissioned going on to become outstanding leaders in the military hierarchy. The current Chairman of the Joint Chiefs of Staff is an excellent example of a former NCO who did just that.

One of the most important factors in the British victory in the Falklands was the professionalism of its troops. The stamina, nerve and discipline of Britain's experienced and capable career servicemen prevailed under adverse battle conditions.

Today, the United States is facing another crucial period in its post-Vietnam era. Many of its battle-trained professionals have retired or abandoned their careers. Many of its experienced and skilled servicemembers opted to leave the military for a better life in the civilian sector. In a period of 5 years, 1976-1980, thousands of professional Soldiers, Sailors, Marines, Airmen, and Coast Guardsmen bailed out because of compressed pay, losses in compensation, too few rewards for attaining advanced grades, broken promises, and feelings of insecurity.

NCOA warned Congress again and again that this would happen but it wasn't until the Navy couldn't get its ships to sea and the Army was characterized as a "hollow one" that Congress reacted. Consequently, it provided substantial pay increases in both 1980 and 1981.

Simultaneously, Congress increased certain allowances, special pays and bonuses. It authorized (but did not fund) other programs that were important to career servicemembers. And, along with the Administration, promised to keep pay "comparable" with the civilian sector. Never again, they said, would our military professionals have to worry about their future. Both were to be committed to improving the quality-of-life for those in the armed forces.

That was 1981. By 1982 the situation looked bleak. Once again promises were put on the back burner. Administration officials offered excuse after excuse but not many career active duty, reserve and guard personnel, were listening. It was the same old tune, only the names had changed.

CURRENT SITUATION

For 1983, the Administration is proposing a pay freeze and (or will offer) changes to the military retirement system. In addition it will ignore the need to fund other "people programs" that are of concern to military personnel.

It boasts of high recruiting and retention rates that are better than ever, but are they? In fiscal year 1975, 83 percent of career enlisted personnel reenlisted. For fiscal year 1982 it was only 76 percent, up from a low of 68 percent in fiscal year 1979. Still, there are shortages in the NCO/PO grades of experienced and skilled professionals.

Late last year the armed services yet were short some 40,000 NCOs/POs. The Navy alone had a shortfall of 17,000 with an anticipated shortage of more than 11,000 by the end of fiscal year 1983. That is, if all goes well.

In a recent conversation with a senior enlisted chief of a southern military installation, this NCOA representative was advised that far too many young NCOs, and some senior ones, are waiting for the civilian job market to open up again. He warns that they are ready to go at the first opportunity. The reason, he vows, is that while many promises are made more are being broken. Regretfully, his views are shared by many other enlisted chiefs. They will tell you their career people are concerned—concerned with the lack of attention to or action taken on the programs listed at the end of this statement under "Recommendations."

WHO REALLY SACRIFICES

Four times in less than a decade military personnel have been subject to a "pay cap." To do so, they were told, was to set an example for the civilian sector. However, the Government Accounting Office (GAO) reported that the caps did absolutely nothing to change the attitude of civilian workers. While military personnel were suffering their first three pay caps, civilian employees were receiving double-digit pay hikes.

For fiscal year 1984 military personnel have been asked to sacrifice for the fifth time by foregoing a pay increase. Recently, a high-ranking Defense official stated that the sacrifice was related to that which was going on in the private sector where people, like the auto workers, are not getting pay raises. Yet, U.S. News & World Report has this to say about the civilian sector:

(Detroit, with a 15.2 percent unemployment rate in Aug. 1982, shows a 4.7 percent increase in factory workers' income over a year ago with an average income of $25,076.)

(Cincinnati, with a 10.4 percent unemployment rate in Aug. 1982, shows a 9.6 percent increase in factory workers' income over a year ago with an average income of $20,414.)

(The United States, with a 9.8 percent unemployment rate in Aug. 1982, shows a 3.6 percent increase in factory workers' income over a year ago, with an average income of $7,305.)

How does this compare with our military personnel? With a 4 percent hike in pay on Oct. 1, 1982, they now earn an average annual basic pay of $12,900 (or approximately $16,500 with allowances and special pays).

What is so disenchanting about the pay freeze is that military personnel are being told that they are not alone in this sacrifice. Everyone will be treated the same—or will they? For example; the private sector has not been asked to accept a pay freeze. In fact, many civilian firms are reported as, again, ready to pay salary increases in 1983.

RECOMMENDATIONS

NCOA, first and foremost, recommends that a pay adjustment be given to NCOs and Petty Officers. Such an adjustment, if adopted, will lighten the concern of those who believe that a pay freeze will hasten the exodus of skilled and experienced members at a time when the Services are on the verge of significant improved retention in this area of personnel.

Retention is of much greater value to the Services at this time than the recruitment of new members. The high rates of unemployment for 17-to-24 year olds in the private sector should assure a strong input for the junior enlisted grades over the next year or so. Enlistment bonuses, quick promotions (from E-1 to E-3 in one year or less and to E-4 in 2½ years or less), training opportunities, and the possibility of a new education package will provide sufficient incentives for the Services' recruiting programs.

NCOA has no recommendation to offer relative to the Warrant and Commissioned Officer grades. This it will leave to those who are qualified to comment.

In consideration of a pay adjustment for NCOs/POs, some may ponder over a decision as to whether or not E-9s should be considered. Some will say that these most senior NCOs/POs are alike to the most senior officer grades—you do not worry about their retention rate. As related as they may be, there is one contrasting point that favors the E-9s; they are not rewarded as they assume greater authority and responsibility.

For example, officers advance in grade as they accept greater command responsibility. Captains, who are Company Commanders, normally advance to Lt. Colonel before assignment to command a battalion. Colonels are Regimental commanders while Major Generals have Divisions, and on up to 4-star flag ranks to command a Service or a major organization.

On the other hand, E-9s serve as Sergeants Major at all levels below the top enlisted Service slot and receive no additional monetary reward as they assume more authority.

So there is justification to include E-9s.

RETIRED PAY

The Association's second recommendation is to cease and desist hacking away at the military retirement system. Enough damage has been done over the years. More than enough was accomplished last year in the unwarranted capping of cost-of-living adjustments to the retired pay of military personnel under age 62. Along with reductions in salaries of federal employees who are retired military personnel (at an amount equal to COLA increases in their military retired pay), military retirees were almost singularly appointed to carry the brunt of this cost-saving action. The cap affected more military retirees (4 of 5 than federal employees. And the COLA offset in salaries certainly violates the basic principle of equal pay for equal work.

NCOA recommends a reconsideration of last year's adverse actions and urges Congress not to adopt further provisions affecting military retired pay until all federal systems have had an opportunity to be studied and endorsed so as to provide acceptable proposals that are fair and equitable to their respective participants.

OTHER PROGRAMS

NCOA's third recommendation contains a list of people programs that Congress should address as soon as possible.

Storage.—Authorize reimbursement of storage costs for privately owned motor vehicles when members are assigned overseas where the vehicles are not permitted or are restricted.

Permanent Change of Station (PCS).—Authorize adequate reimbursement rates so that military families do not have to pay out-of-pocket expenses for government-ordered moves.

Travel and transportation.—Authorize: 1)—more lenient travel entitlements for personnel assigned to ships in overhaul, 2)—transportation of the remains of retired members who die while hospitalized at a military hospital, 3)—transportation for rest and recreation for members assigned to remote stations, and 4)—transportation for immediately next-of-kin of members or dependents hospitalized overseas whose presence is required by a competent medical authority.

Per diem.—Authorize flat-rate per diem reimbursements commensurate with area costs for moderately-priced lodging and meals, and permit enlisted personnel to submit travel vouchers as proof of receipt of per diem (as now authorized commissioned officers). Also, fund equitable per diem payments to enlisted members as authorized by Congress.

Education.—Authorize enrollments of top enlisted members in designated colleges to earn degrees in nuclear science and engineering.

Variable housing allowances (VHA).—Maintain at prescribed level of 115 percent of BAQ.

Household goods.—Increase weight allowances to reflect grade and years of service rather than grade itself. It is inequitable to provide a higher allowance for a junior officer than for a senior enlisted member. The latter probably will have been married longer, have a larger family, and possess more household goods. (The Senate Appropriations Committee last year reported that current levels "appear adequate and reasonable." Although its use of the word "adequate" is open to interpretation, the word "reasonable" is not.) There is absolutely no justification in maintaining the current archaic system.

Lump sum death benefits.—Current benefits have not been adjusted since 1956. A more realistic amount should be authorized.

Severance pay.—No severance pay is authorized for regular enlisted members who have honorable service but are not permitted to reenlist—even though they may have 19 years, 11 months and 29 days of active service. All federal employees are authorized this pay including commissioned officers of the uniformed services (up to $30,000). Also included are direct-hire foreign nationals. Their payments are funded by the U.S. government (DoD) at an estimated $210 million yearly. Over $210 million for foreign nationals but not one cent in tribute to our own American servicemembers who, once sorely needed, are no longer wanted because of "quality management" programs turned on and off by the Services.

Hazardous duty pay.—Current payments of $110 per month are authorized for commissioned officers, $83 for enlisted personnel. The present system is archaic and demands a change. Regardless of rank, everyone is equal when facing the hazards connected with their specialty. Therefore, it is only fair to pay all members the same rate.

Sea pay.—Authorize increased payments for enlisted personnel at the 13 year level and again at 20 years.

Special pay.—Authorize a special pay or increased special pay for members who are assigned to areas not accessible to military installations and, therefore, are not able to participate in the ordinary privileges available to members on-base (i.e.—commissaries, exchanges, and recreational facilities).

CHAMPUS.—Authorize 100 percent of CHAMPUS costs for dependents of military personnel stationed in areas where no military medical facilities are available within a reasonable commuting distance.

Mr. Chairman, once again I extend the Association's appreciation for allowing me the privilege of speaking for its membership. I know that the list of recommendations herein appear to be extensive, however, NCOA believes that over the long run the federal government will save money by retaining quality personnel and, thereby, reducing recruiting, processing, training, and schooling costs for their replacements.

Senator **Jepsen**. Thank you, Mack.

Colonel Hennrikus.

STATEMENT OF COL. GEORGE F. HENNRIKUS, JR., USAF (RETIRED), DIRECTOR OF LEGISLATIVE AFFAIRS, THE RETIRED OFFICERS ASSOCIATION

Colonel **Hennrikus**. Thank you, sir.

In the time allotted to me this afternoon I intend to address the administration's budget proposal to change the military retirement system by arbitrarily superimposing an age factor in determining annual cost-of-living adjustments to retired pay.

Before I do, however, I want you to know that my association of 317,000 members supports a 4-percent pay increase for the Active Force, effective October 1, 1983, and that we object to the proposals which would do away with the 1-year look-back provision and would require that monthly retirement pay may be computed to the nearest lower dollar.

The administration proposes to make permanent a provision which would limit future cost-of-living adjustments to one-half the Consumer Price Index for retirees under age 62. In adopting last year's quick-fix effort to achieve additional spending cuts in the Omnibus Reconciliation Act, the administration has made a serious mistake.

By the way, if I might for the benefit of the record, you asked Dr. Korb where this occured. It actually occurred in the Budget Conference Task Force just on the eve of passage of Public Law 97-253, the Reconciliation Act, last year. I was present and the two people that determined the age, 62, were Mr. Ford of the House and Senator Stevens of the Senate. They arrived at that number on the basis of the fact that they faced people interested in the social security law later on. So, they thought that age 62 would be a good factor.

So, when I say quick fix I mean quick fix. The vote was taken the next day, I think, on this issue. I do think Chairman Tower and Chairman Price were conferred with but very briefly and after the fact.

The administration made a serious mistake. It has opted for short-term savings without regard to the long-term effect. Sharply increased recruiting and training costs and an inferior career force lacking both the experience and maturity to maintain a war-winning capability, is essential to a credible deterrent.

The Uniformed Services retirement system is unique. For the military personnel manager it is a tool used to select the right people for the career force and to eliminate those not needed. As a consequence, of every 100 persons who enter service less than 10 attain minimum retirement and less than 5 are able to complete 30 years.

For the individual considering a military career it has been a key incentive to remain in uniform. In recent months, certain individuals have gone to great lengths and considerable expense to portray the military retirement system as simply another element of the social welfare program or as the end result of a series of charitable acts on the part of the Government.

As the members of this committee are aware, it is neither of these things. Rather, it is the product of a coldly calculated supply-and-demand process in which incentives for service are tailored to the requirement for people.

In our free society, in order for the services to compete with the private sector with the proper number and mix of people, the various inducements that make up the retirement system are constantly refined. For example, during the last 2 years of recession and high unemployment, the effort to achieve economic stability through spending cuts impacted heavily on the military retirement system. Retirees were forced to assume twice their fair share of the burden.

Yet, for obvious reasons recruiting goals were met and exceeded, and retention rates were the highest in many years. By the way, I strongly commend an article by Capt. Thomas Hale which—to show that we are not completely coordinated—Bob Nolan noted in connection with his statement. It is also attached to ours. It is an excellent article. It is a good summary of military retirement and it is a good comparison with other systems in the private sector.

This committee has heard the strongest indictment against this proposal by the top personnel officers of the services. They have predicted that the effect on the career force would be devastating; we certainly agree. The attached charts illustrate how drastically this proposal would reduce the future value of their retirement for a typical O–5 and an E–6, and assuming a 5-percent future inflation rate the value of an average retiree's income would be reduced by one-third.

Faced with such a loss it seems obvious that only the most highly dedicated and those with limited options would elect to remain in service beyond a limited tour of duty.

In conclusion, Mr. Chairman, I ask that this committee defer any decisions with respect to the retirement system at least until it has had an opportunity to review the recommendations of the Fifth Quadrennial Review of Military Compensation. I was very pleased to hear most of the Government witnesses ask for that same deference.

By the way, I might mention, sir, as far as retirement as a percentage of the defense budget, it runs about 6.1 percent now according to the Defense Department forecasts and will run down to 5.4 percent between now and 1988. Regular pay amounts to 18 percent of the defense budget. So, that 24 percent of the defense budget is in actual pay, the rest of it in transportation, housing, medical care, which are the cost of doing business as far as I am concerned.

The proposal before you is not cost-effective. More important, it could destroy the nucleus so essential to a war-winning capability. From all reports, the QRMC is conducting a thorough review of the retirement system that should produce positive results.

Thank you very much, Mr. Chairman.

[The prepared statement of Col. George Hennrikus follows:]

PREPARED STATEMENT OF COL. GEORGE F. HENNRIKUS, JR., USAF, RETIRED, DIRECTOR, LEGISLATIVE AFFAIRS, THE RETIRED OFFICERS ASSOCIATION

Mr. Chairman and members of the Subcommittee: I am Colonel George F. Hennrikus, Jr., United States Air Force, Retired, Director, Legislative Affairs, of The Retired Officers Association (TROA), which has its National Headquarters at 201 North Washington Street, Alexandria, Va. Our Association has a membership of over 317,000 retired, former and active duty officers of the seven Uniformed Services. Included in our membership are 35,000 widows of former members.

I want to thank the committee for providing this opportunity to address the various proposals relating to the military compensation system. Our association has for many years supported the basic concept that people are the most significant element of the defense equation and that, without dedicated, responsive people the best weapons are useless.

HISTORICAL BACKGROUND

Until June 1, 1958 retired pay (including retainer pay) of military personnel was computed on the basic pay of a member on active duty of equal grade and service. Public Law 85–422 terminated the practice of increasing retired pay at the same time and by the same percentage as increases in active duty pay. This action has resulted in retirees with the same grade and years of service receiving widely varying amounts of retired pay. Public Law 88–132 (October 2, 1963) established the principle of adjusting retired pay based on changes in the Consumer Price Index (CPI) for the previous calendar year. In 1965, P.L. 89–132 modified that formula to provide that when the monthly CPI increased by 3 percent over the last increase for 3 consecutive months and remained at that level, retired pay would be increased by that amount on the first day of the third month following that period.

Public Law 94–106 (Tower amendment) further modified that procedure so that members initially entitled to receive retired pay on or after January 1, 1971, would not receive less pay than they would have received had they retired earlier in their career. The purpose of this law was to prevent retired pay inversions which could occur whenever retired pay increases exceeded active duty pay increases. To offset the erosion of retired pay resulting from this time lag in the adjustment formula, a 1 percent add-on was provided by Public Law 91–179. In 1976 the one-percent add-on was eliminated and in its place a semi-annual adjustment for cost of living increases was established. In 1981 (PL 97–35) the semi annual adjustment formula was replaced by an annual adjustment. In 1982 this formula was again, temporarily changed to a system whereby those not disabled and under age 62 would receive only one-half the projected CPI increase for fiscal years 1983, 1984 and 1985. (P.L. 97–253). In the words of the House Armed Services Committee, "The preceding historical summary reflects the progressive effort made by both the Executive Branch and the Congress to develop an automatic mechanism which would, in the last analysis, guarantee every military retired member that the purchasing power of the retired pay to which he was entitled at the time of retirement would not, at any time in the future, be eroded by subsequent increases in consumer prices."

Servicemembers who have been induced to commit themselves to a service career will view any major changes to the retirement portion of the total compensation system as a serious breach of faith by the Congress and the Executive.

Changes, if made, must in all fairness be implemented for those entering the service after enactment. An individual who elects a military career must be assured that the benefits promised as a condition of that service will be fully honored and not arbitrarily reduced for short term economical or political expediency. The Congress, and this committee in particular, must make this assurance, otherwise, the resultant turbulance generated by such arbitrary action will jeopardize the readiness of our armed forces to meet national defense obligations. We believe that any short term savings that may be achieved will be outweighed by additional future costs in recruitment and training necessary to replace those who might otherwise select a military career. It has been said that it will be necessary to recruit and train eight new servicemembers to replace a single lost careerist. It seems contradictory that now for the first time since the advent of the all-volunteer force, when the program is experiencing success, that proposals are made to change the system.

The fiscal year 1984 defense budget contains assumptions that savings will be accomplished through reductions in the overall military compensation system as follows:

Freeze the active duty pay and retired pay at current level in fiscal year 1984.

Round-down each monthly payment to the next lowest dollar.

Eliminate the provision whereby a member can elect to "look-back" one year to compute his initial retired pay.

Make permanent the adjustment mechanism to retired pay for those under age 62 and not disabled to only one-half the CPI.

FISCAL YEAR 1984 PAY FREEZE

The administration has reluctantly proposed that the pay for the active duty force be maintained at current levels for fiscal year 1984. It would justify this request on the basis that our whole society must sacrifice in order to effect an economic recovery. The administration indicated it would support restoring these losses in fiscal year 1985. If we can believe that this is fair and that all members of our society are making this sacrifice then I could agree with this proposal. However, when the price of goods increases in the market place, reflected by a change in the Consumer Price Index, this means that someone is not making that sacrifice which all have been asked to share. To single out government personnel, military and civilian, in particular for a freeze, when the rest of our society continues to receive more is not requiring all to sacrifice. In fact, by increasing military pay by the percentage amount of the CPI is in itself a freeze in the value of that pay.

Those who elect retirement or are forced to retire during that year will have their retired pay based on their final basic pay. This one year "freeze pay" provision would cause a lifetime loss of over $19,000 for the average E–8 (20/yos.) who might retire during that period, based on a one percent real interest rate in the future (an ultra-conservative projection). TROA supports a four percent pay increase for the active force effective 1 Oct. 1983.

The freeze proposal will undermine the positive impact of the pay comparability which was achieved by military personnel during the last several years. It would be proper that this committee extend the authority of the various bonus and incentive pays for a longer period than 18 months to insure that those who elect to extend will not view uncertainness of such temporary measures as reasons to leave the military service. Surely many with marketable skills will leave the service if these special incentives are not made more permanent. As the economy improves, the private sector will again generate a demand for these specialized skills. The military can ill afford the loss of these skills when new weapons systems and increased fleet manning will require more rather than fewer members to reenlist or extend service agreements.

ROUND-DOWN

The round-down provision will probably produce a savings of 8–9 million dollars per year. No one will be seriously affected by this provision. However, even this small reduction in compensation will be viewed as another erosion in benefits. It's the principle more than the money involved. Only this committee can insure that future military retirees will receive the compensation they expected as a fulfillment of their service.

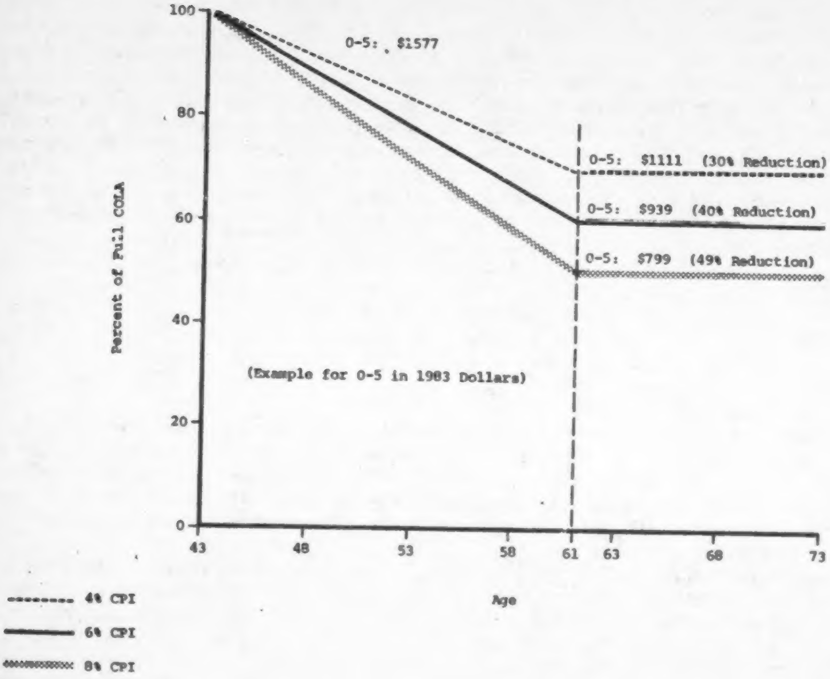
ELIMINATION OF LOOK-BACK

The look-back feature was intended to insure that a military retiree would not be penalized financially by serving a longer period. This provision of law is only effective when the active duty pay does not keep pace with inflation. Service members might elect to retire early to avoid a lifetime loss should this proposal be enacted. This situation should not be allowed to happen and I urge this committee not to adopt this proposal.

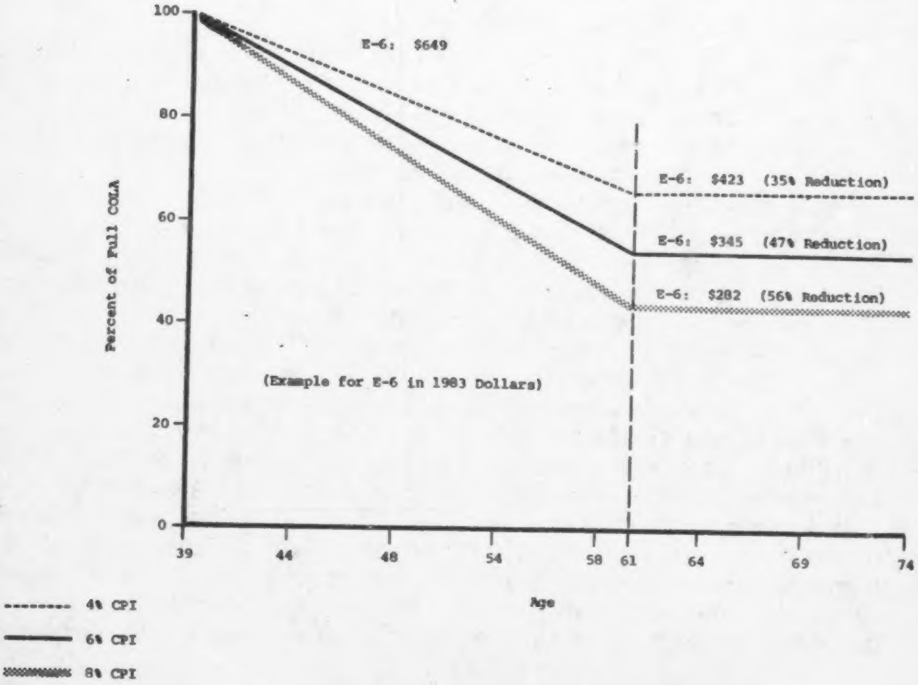
PERMANENT CHANGE IN COST OF LIVING ADJUSTMENTS

I have attached two graphs which illustrate how this proposal will drastically reduce the future value of the earned entitlement of an 0–5 or E–6 who retires after enactment. The reduction in the value of retirement pay would amount to over 32 percent over the average retirees' lifespan. This percentage is based on an assumed 5 percent future inflation factor.

PURCHASING POWER OF OFFICER RETIREE WITH 20 YEARS OF SERVICE
HALF COLA VS FULL COLA



PURCHASING POWER OF ENLISTED RETIREE WITH 20 YEARS OF SERVICE
HALF COLA VS FULL COLA



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Should this proposal be enacted, military service members will have no way of planning their retirement to assure that they will be able to establish a fixed level of income or standard of living. In fact, an individual's standard of living will start declining immediately from the date of retirement.

I strongly commend an article by Captain Thomas M. Hale, U.S. Navy, published in the April issue of the U.S. Naval Institute Proceedings. It is an accurate summary of the history of the military retirement system and it also demonstrates that the system is not overly generous. (See testimony of Capt. Thomas Hale.)

While the military retirement system is good, comparison with other plans in the private sector for employees with similar arduous positions necessitating relatively short careers (e.g. police, firefighters and air controllers) shows that the military retirement benefit falls short. The military retirement system in addition to being perceived as deferred compensation is designed to provide a wartime manpower reserve of experienced personnel who are subject to immediate recall. No other private sector system has this continuing obligation. The retirement system is so structured that a member has no vested right until he has completed at least 20 years of service. Should the committee believe that the current system overcompensates retirees for inflation, I suggest that the error is in the indexing system not the retirement system. As a minimum (in the final analysis), the Congress should honor its guarantees to those who have served under the current system.

Mr. Chairman, our association strongly opposes the proposals to make drastic reductions in the present military compensation system.

The uniformed services retirement system is unique. For the military personnel manager, it is a tool used to select the right people for the career force and to eliminate those not needed. As a consequence, of every 100 persons who enter service, less than ten attain minimum retirement and less than five are able to complete 30 years. For the individual considering a military career, it is a key incentive to remain in uniform.

Since the current law has placed into effect a temporary limit on the adjustments to retired pay during the next several years we recommend you oppose further action to make these reductions permanent. Hopefullly, the 5th Quadrennial Review of Military Compensation will complete its evaluation of the total compensation system in the near future and then make recommendations that are in the best interests of the Nation. The present proposals certainly are not fair. I would urge this committee to defer any change to that system without the benefit of that panel's recommendation.

This completes my statement, Mr. Chairman, and I will be glad to try and answer any questions that the members may have. Thank you.

Senator **Jepsen**. Thank you.

I appreciate your contributions and comments. I was probing on the costs of the percentage of the military budget, and so on because you know, as we leave here—those of us in the Senate—on the weekends to go to the hinterland we are on firing line, I can assure you, on the question about defense.

I am meeting tomorrow bright and early in the morning with "nuclear freeze" folks, and we go to press conferences and so on.

I always want as many facts and measurements of the total defense budget because it is going to be, or is, the No. 1 question area that we are faced with and have to give answers to.

It is not really reported very accurately, if at all, what portion of the defense budget goes to our people. To listen to those who would literally tear our defense to shreds and denegrate it as we had in the 1970's, you would think that our $238 billion was all in nuclear warheads. I think we need to be able to express on a factual basis and present the facts to the American people as we go forth.

When we know that the recruit in the Soviet Army gets 8 kopeks or 3 rubles—or $5.50—a month, whereas our recruits start at $574 a month, then we can expand on that from there and ask some of those who are denegrating or would denegrate our defense to a "no defense" level whether they want to start cutting in the personnel.

That sometimes enables a little more enlightened conversation—not often.

Mack.

Sergeant Major **McKinney**. Mr. Chairman, if I may add, if we could talk our American youth into coming in for that amount of money, we would be in great shape. But I doubt very much if we even want to go back to the days when we drew $21 a month and then they took out hospitalization. What was it, Bob?

Mr. **Nolan**. Twenty cents a month.

Sergeant Major **McKinney**. Twenty cents a month.

We have never been able to locate that fund. [Laughter.]

Senator **Jepsen**. I remember those days.

I thank you very much for coming. We are all on the same wave length and we have the same goals in mind, I think, about 99.99 percent of the time.

I appreciate your input, I appreciate your counsel, and I appreciate your continued interest and invite your counsel and you input. Thank you.

Sergeant Major **McKinney**. Thank you, Mr. Chairman.

Senator **Jepsen**. Additional questions will be submitted in writing to be answered for the hearing record.

[The questions, with answers supplied, follow:]

Questions Submitted by Senator Roger W. Jepsen

MILITARY PAY

Senator **Jepsen**. Admiral, you mentioned in your statement that military pay should match wage growth in the private sector. In recent testimony before various committees reference has been made to the terms comparability and competitiveness. Could you please explain the difference between the terms and define what is included in military pay when comparisons are made with the private sector? Also, what is the current status of military pay in relation to private sector?

Admiral **Herberger**. There is often confusion in the terms comparability and competitiveness when making reference to comparisons of military pay and private sector wages and salaries.

Military pay subject to adjustment as defined by 37 USC 1009 includes basic pay, basic allowance for subsistence and basic allowance for quarters. These are received in cash or in kind by all members, whereas incentive pays, special pays or bonuses are only paid for performance of various hazardous or arduous duties or utilized as management tools to man more critical skills. Since incentive pays, special pays, and bonuses are not received by all members they are not used for comparison purposes with private sector wages/salaries, where special incentives are also offered for similar duties and not included in wage figures. Comparability refers to a roughly equal relationship between private sector wages/salaries and military pay.

Competitiveness refers to the total military compensation package which includes other items such as retirement benefits, survivor benefits and medical benefits. Within the total compensation package we must maintain military pay comparable to private sector wages. The remainder of the total compensation package must then be tailored to enable us to compete with the private sector for the quality and quantities of people necessary to meet our objective force of 600 ships. Current law (37 USC 1009) links military pay raises to raises given to Federal civilian workers. Federal civilian raises are determined by an index designed to maintain comparability with the private sector. This index is the Professional, Administrative, Technical and Clerical Index (PATC). In its report to the President in October 1982 the military Manpower Task Force recommended that the Employment Cost Index (ECI) be utilized as the index to measure military pay comparability. The Joint Services report on Military Pay Adjustment Mechanism Study also recommended utilizing the ECI in April 1982. The Administration is supporting legislation to sever the current link to Federal civilian raises and to establish a direct link between military pay adjustments and the Employment Cost Index. Navy strongly supports this legislation. Rough pay comparability with the private sector was most recently achieved in October 1981 (fiscal year 1982 pay raise) for the military. Since October 1981, pay caps have resulted in military pay falling behind in comparability. In this light, our bonus programs become even more important in making our total compensation package competitive with the private sector.

AVIATION OFFICER CONTINUATION PAY (AOCP)

Senator **JEPSEN**. Admiral Herberger, I see that pilot retention is forecast to rise from 49 percent in fiscal year 1982 to 57 percent in fiscal year 1983, despite the fact that authority for the aviation bonus expired at the end of fiscal year 1982. Given this healthy rise in retention without AOCP, why does Navy have $10.5 million budgeted for new AOCP payments in fiscal year 1984?

Admiral **HERBERGER**. Retention has continued to rise from 49 percent in fiscal year 1982 to 57 percent in fiscal year 1983 without the aviation bonus because no signal has been sent to the fleet indicating bonus authority will not be restored in fiscal year 1984. The perception among those aviators initially entering the bonus eligibility window (6th year of service) in fiscal year 1983 is that the bonus has been temporarily suspended, chances are good that the authority will be restored. These aviators eligible in fiscal year 1983 are remaining on active duty in anticipation of the bonus and do not lose eligibility as a result of delayed authority. A decrease in retention would become apparent if the decision was made to terminate the bonus program instead of the current delay. 2069 aviators (1405 pilots/664 NFOs) will enter the bonus eligibility window in fiscal year 1983/84. Termination of the bonus program is projected to result in the loss of 193 aviators (127 pilots/66 NFOs) above that forecast with continued bonus authority.

Continuation of AOCP authority is required if Navy is to recover from its mid-grade shortage of 1172 aviators by fiscal year 1988. As a result, Navy has budgeted $10.5 million for new AOCP payments in fiscal year 1984 in anticipation of restored bonus authority.

REIMBURSEMENT FOR QUARTERS DURING OVERHAUL

Senator **JEPSEN**. Admiral, do you need to extend the authority to provide a BAQ reimbursable for crew members of ships undergoing overhaul when government quarters are not available?

Admiral **HERBERGER**. Yes we do. There are often times during the overhaul process of a ship when because of the repairs being performed, it is not possible for the crew members to live onboard. Although every effort is made to house these people in military quarters, barges or leased housing, it is not always possible to do this due to the location of the overhaul facility, number of other vessels present, etc.

Our authority for this reimbursement expired on 30 September 1982. If restored, we would regain the capability to provide quarters for our members who are displaced from their shipboard "homes" because of overhaul.

CAREER SEA PAY

Senator **JEPSEN**. Admiral, you indicated that the Navy was developing some changes to the career sea pay program. What are the specifics of the proposal?

Admiral **HERBERGER**. The Navy is seeking to expand the existing career sea pay table to provide additional incentives for members with 13 to 20 years of cumulative sea duty.

Although the adjustments to the career sea pay law brought about by the Military Pay and Allowances Benefits Act of December 1980 have been very effective in attracting middle grade petty officers to duty at sea, the improvements have been less effective in attracting senior enlisted personnel. Many of these senior enlisted personnel already have more than 12 cumulative years of sea duty. It is these experienced technicians that the Navy needs to retain at sea to build the expanding Navy. The Navy's proposal to provide a longevity pay adjustment to members with 13 to 20 years of sea duty is a cost effective ($1 million) program to attract and retain these highly skilled personnel at sea.

QUESTIONS SUBMITTED BY SENATOR STROM THURMOND

MILITARY COMPENSATION

Senator **THURMOND**. Doctor Korb, what is the administration position on bill S. 275 that would allow for a 4 percent pay raise for certain members of the military? I would like to hear the opinion of the service representatives also.

Mr. **KORB**. The administration position is that, in conformance with the President's decision to delay or delete entitlement increases in fiscal year 1984, military personnel should receive no pay increase in fiscal year 1984.

ARMY

General **MITCHELL**. The Army supports the Department of Defense position in support of the President's decision to seek a pay freeze in his efforts to control the budget deficit. With regard to S. 275, as Secretary Marsh indicated in his testimony before the SASC on 25 February, the Army supports the targeted nature of the bill although we prefer more specific focus and do not favor delaying the pay adjustment to April 1, 1984 as indicated in the bill.

NAVY

Admiral **HERBERGER**. In light of the President's proposal to freeze military pay in fiscal year 1984, Navy does not support Bill S. 275. If Congress enacts a pay raise in fiscal year 1984, Navy would prefer to use additional funding to maximize careerist retention by targeting the raise to our career enlisted and mid-grade officers. The targeting scheme must be carefully applied to avoid pay inversion problems which have a very bad effect on morale. The pay raise if enacted should be effective on October 1, 1983.

MARINE CORPS

General **LUKEMAN**. The Marine Corps supports the President's decision to forego a pay adjustment this year, and it could not absord a Congressionally enacted pay raise within the present funding request without significant reductions to programs that affect readiness and needed modernization. With these points in mind, the Marine Corps believes that despite its traditional support for across-the-baord pay raises, there may be merit in a targeted raise this year as provided in S. 275. The reason for this shift in emphasis is that the Marine Corps recognizes that funds for any pay raise will be limited. In this case we believe it would be more effective to target scarce dollars toward the career force, officer (0–2 and above) and enlisted (E–3 and above). This would help retain trained, experienced Marines while providing an incentive for our younger Marines to get promoted. Shortages that result in lower pay grades because of the further loss of pay comparability would be easier to fix than losses in the career force.

AIR FORCE

General **PEEK**. The Department of the Air Force supports the President's decision to freeze fiscal year 1984 pay at fiscal year 1983 levels. However, there appears to be a growing consensus within Congress to provide the military (and Federal civilians) some measure of a pay increase in fiscal year 1984. In that context, S. 275 provides a reasonable alternative. It not only freezes the basic allowance for quarters (BAQ) and the basic allowance for subsistence (BAS) at fiscal year 1983 levels, but the builtin six-month basic pay increase deferral is consistent with the concept of universal sacrifice. In addition, while the Air Force normally advocates across-the-board pay increases, the prospect that Congress could mandate full absorption supports denial of an increase to E–1s and E–2s on a one-time basis. We believe this would not impose an undue hardship since the rapid advancement from E–1 to E–3 within 12 months and its associated 17 percent basic pay increase helps minimize the effects of a pay freeze. The rationale for denying a pay increase to O–1s has not been clearly articulated, but is apparently intended to achieve consistency between enlisted and officer accessions. Nevertheless, it should be noted that most officer accessions remain second lieutenants for two years and would therefore fee the full effect of a freeze.

As noted earlier, S. 275 would not increase BAQ. We would have preferred that the bill increased BAQ by 4 percent to help offset the impact of rising private sector housing costs on the approximately 780,000 military members residing on the economy in CONUS.

A major concern we have with S. 275 is the provision that the basic pay increase ". . . should be paid from funds otherwise available to the Department of Defense." We adamantly oppose this feature. The Air Force budget has been finely tuned to accommodate only essential defense programs. We would be jeopardizing these programs by having to absorb the costs of the proposed pay increase.

COLA ADJUSTMENT

Senator **Thurmond**. Doctor Korb, what are the savings from the limit 50 percent on cost of living adjustments for military retirees under age 62?

Dr. **Korb**. Under the temporary three-year limit imposed by the Omnibus Budget Reconciliation Act of 1982, the savings for fiscal years 1983, 1984, and 1985 are expected to be as follows:

Fiscal year:	*Millions*
1983	$129
1984	140
1985	368

ARMY

General **Mitchell**. We have responded to many letters on this subject. Institution of the half cost of living limitation on nondisability retirees under age 62 for fiscal year 1983-85 by P.L. 97-253 has a subtly adverse impact on the career force—they wonder what is coming and are they next. Of course, those already retired object because they believe the action was an arbitrary cost-cutting measure.

NAVY

Admiral **Herberger**. The ultimate impact of changes to the retirement system on force readiness will depend on the members' perception of the stability and dependability of the compensation system. The 50 percent cost of living adjustments effect the military retiree more than any other group of those under federal retirement. While Navy men and women are aware of the country's economic condition, and are willing to do their part to reduce the federal deficit, the 50 percent COLA cap on top of pay caps and pay freezes places more than a fair share burden on those in uniform. The risk is that the faith will be broken with our personnel which will have a significant negative impact on retention. The typical military retiree is an E-7. A 50 percent COLA cap on the retired pay of this E-7 would result in the loss of from 35 percent (4 percent inflation) to 56 percent (8 percent inflation) of the real value (purchasing power) of the retired pay by the time this person reaches age 62. Translating that to enlisted retention, we would expect to lose over 14,000 Navy careerists by the end of fiscal year 1988 with a long term inflation rate just under 6 percent.

MARINE CORPS

General **Lukeman**. The retirement system is an integral part of military compensation and is a key contributor to our ability to efficiently manage military manpower. It is an extraordinarily important system that exerts considerable influence on individual career decisions and the resulting capabilities of the Armed Forces. The cost of living adjustments (COLA) are necessary to maintain and protect the purchasing power of retirement against inflation.

If legislation that would extend the three year COLA cap were enacted it would impact heavily and disproportionately on the military and would have a particularly significant impact on the career enlisted force. Preliminary studies have indicated that, under reasonable assumptions concerning inflation, the retired pay of a gunnery sergeant retiring with 20 years of service would lose about half of its purchasing power by the time he reached age 62.

As I mentioned in my preliminary statement, a characteristic of military service that often is overlooked when the military retirement system is compared with other systems is that we can only bring individuals into the services at the botton—as privates or second lieutenants. When we lose an individual after he has been trained and matured as a Marine, we have to start all over again by recruting, training and growing, over a period of many years, his replacement. There are no "lateral moves" into the Marine Corps; we must nurture the privates and second lieutenants and develop them and prepare them and eventually form the ready, able career force that is represented by today's Marine Corps. This unique characteristic of military service—being able to bring in new people only at the lowest level—is of overriding importance. Any significant change in military compensation, particularly to the principle of comparability or the retirement system, must recognize that.

In sum, the demands of managing the military services are so much different from those of other groups that a retirement system shaped to meet those demands is essential. The magnitude of the effect of reducing cost of living adjustments is so great that it amounts to a fundamental change in the system that would result in substantial losses of experienced men and women. The damage could only be corrected at great cost and over a period of many years. I urge that the Congress require full information from the Department of Defense on the efforts of the ongoing review of military compensation, whichis concentrating attention on the military retirement system, prior to making any further changes to the system. And, in particular, I urge most strongly that the concept of a permanent half-COLA cap be scrapped as a way to save money. The eventual costs both in dollars and in operational effectiveness that would result from that action would be far more than the dollars saved.

AIR FORCE

General **Peek**. The present extension through 1985 of the "half-COLA" cap for nondisabled military retirees under age 62 is indeed unfair. It reduces the purchasing power of retired pay for members already retired (individuals who have no recourse) and also places a disproportionate share of the cost-savings burden on military retirees, since 78 percent of non-disabled military retirees are under age 62 and will be affected. Another unfair feature is that the impacts are greatest on enlisted personnel since they enter service at a younger age and therefore retire at a younger age.

Such changes should definitely not be made without careful consideration of their impacts on the military force structure.

PAY FREEZE

Senator **Thurmond**. Pay has always been cited as a problem in retaining professional careerists. Do the services feel that the present action of a recommended pay freeze has had an adverse impact on morale? I would like to hear each service representative.

ARMY

General **Mitchell**. We have had many letters on this. As you would expect, these people are not pleased about the prospect of no pay adjustment. However, as Secretary Marsh said in his 25 February SASC testimony, we believe that our people will understand as long as they are sharing equitably with other Americans in eliminating the budget deficit and getting the National economy back on track.

NAVY

Admiral **Herberger**. Naturally, any reduction in the real value of compensation will have an amount of adverse impact on morale. However, quick action by the Chief of Naval Operations in the form of a naval message to the fleet stressing the need to support the President in his efforts to reduce the federal deficit resulted in less of an impact than anticipated. Navy personnel accept sharing the burden, while they remain cautiously optimistic concerning a catch up raise next year. I am extremely concerned over the effects on the morale of our mid-grade career personnel resulting from proposals for retirement program changes. This issue has a significant negative impact on morale.

MARINE CORPS

General **Lukeman**. The necessity to restrain government pay increases during times of national economic difficulties is recognized and supported by the Marine Corps. Our Marines understand this and are willing to do their part in helping to reduce the federal budget. As the economy improves, however, I strongly urge that we maintain our comparability goals. Without competitive rates of pay we will face the same accession and retention problems that were prevalent in the mid 1970's, which we are only now beginning to overcome because of the wise compensation decisions of the past two to three years.

AIR FORCE

General **Peek**. In my opinion, military people are willing to make sacrifices along with other Americans in absorbing some of the economic cuts of this difficult time. Putting the mission first, despite adversity, is what makes the military profession truly unique. However, we are concerned that a pay freeze in fiscal year 1984 following a 4 percent pay cap in fiscal year 1983 could cause some of our people to believe that the military and Federal civilians are being singled out to bear a disproportionate share of the burden. Should that occur, morale would be adversely impacted. In the long run, unless a catch up raise is made, retention, recruiting and readiness will suffer as was the case in the late 1970s.

QUESTIONS SUBMITTED BY SENATOR WILLIAM S. COHEN

MILITARY COMPENSATION

Senator COHEN. At a hearing of another subcommittee this morning, the Secretary of the Navy suggested that Congress had imposed a four per cent pay cap last year and that the administration had reluctantly accepted it, even though it had hoped for a higher level. That statement is consistent with one which you made before this subcommittee a few weeks ago, but it is not consistent with my recollection of how the pay cap came into being last year. As I recall the circumstances, it was the administration which first called for an eight per cent pay raise, then cut the increase in half to achieve defense budget savings. Could you, for the record, provide a detailed outline of how the four per cent pay cap came into being last year?

Dr. KORB. The administration's fiscal year 1983 budget request contained an 8 percent increase for military personnell. However, the First Concurrent Budget Resolution adopted by the Congress in 1982 capped military and civilian pay raises at 4 percent for three years. The President, in indicating support for the overall spending levels contained in the budget resolution, implicitly agreed to the 4 percent military pay raise cap in fiscal year 1983. However, it is clear that it was the Congress who initiated this action.

Senator COHEN. I also recall that the Army Times reported that Secretary Weinberger indicated his intention to seek a full comparability increase this year, but that you, in testimony before this subcommittee a few weeks after that report, said he was not committed to a comparability increase, despite the earlier indication. We are told again this year—and more importantly, the men and women in uniform are told—that every effort will be made to achieve a catch-up raise next year. What credibility does this statement have, especially in light of statements by top Pentagon manpower officials that the Defense Department may be moving away from the concept of comparability?

Dr. KORB. The Secretary of Defense has stated on a number of occasions his intention to recommend to the President that military personnel be provided a pay raise in fiscal year 1985 that makes up for the pay raise freeze in fiscal year 1984. You can be assured that he follow through on this commitment. The final decision, of course, rests with the President, and we cannot at this time prejudge what that decision will be. However, given the President's sincere concern for the welfare of our men and women in uniform, I am confident that he will approve a fair and competitive military pay raise in fiscal year 1985. As to moving away from the concept of comparability, our policy on military pay raises has not changed. We continue to believe that, under normal circumstances, military personnel should receive a pay raise each year that roughly matches private sector wage growth. However, we believe, as we always have, that we should not be bound to a rigid index, but rather should have the flexibility to give military personnel a raise smaller, or larger, than that indicated by any particular index.

SKILL SHORTAGE

Senator COHEN. What are your service's most serious skill shortages; how do these break down in terms of junior enlisted, NCO, junior and senior officer; and what compensation actions do you feel could effectively address these shortages? What would by the annual cost of taking the kinds of steps you suggest?

ARMY

General MITCHELL. The Army's ten most critical enlisted skill shortages for the fiscal year 1983 can be seen at Table I. All of these skills are short junior enlisted and NCOs. The Army expects to effectively address these shortages through management of enlistment bonuses, the Army College Fund, two year enlistments, selective reenlistment bonuses, reclassifications out of the MOS, reclassification into the MOS and promotion to grades E5 through E9.

This combination of direct compensation, indirect compensation, and control of migration should solve these chronic enlisted skill shortages by the end of the fiscal year 1984. The enlistment bonus request for fiscal year 1984 is $125.1 million, the

Army College Fund request is $54.6 million and the Selective Reenlistment bouns request is $136.7 million.

With respect to the Basic Branch Commissioned Officers, there are two ways to measure skill needs. First, by academic background. For the past several years our new lieutenants have had baccalaureate education in the following disciplines: Business, 30 percent; Engineering, 10 percent; Science, 10 percent; Social Science, 40 percent; Humanities and other, 10 percent. Based upon an analysis or our authorized positions by specialty and grade, we have developed a desired academic accession profile as follows: Business, 30 percent; Engineering, 20 percent; Science, 20 percent; Social Science, 20 percent; Humanities, 10 percent. We are attempting to attain the desired profile by targeting our scholarships, conducting "market analysis", advertising, and by exploring various recruiting options directed at non-Reserve Officer Training Corps college graduates.

The second way to measure skill needs is by commissioned officer grade and speciality. Our difficulties are partially caused by an authorizations versus inventory imbalance. (See Table II.) The Army is redressing this problem in-house by: adjusting authorizations by grade, civilianizing some field grade Table of Distribution and Allowances positions (1,000). We are also requesting an increase in the Defense Officer Personnel Management Act (DOPMA) grade tables at Major (1,000).

Another factor affecting our measurement of skill shortage is that our Basic Branch Commissioned Offices are developed in two specialties. This is necessary in order to satisfy changing skill requirements across levels of responsibility (grades). Whenever the number of officers assigned in a specialty represents a very high percentage of all officers holding the specialty, there is a significant problem in satisfying that specialty's authorizations over time and between grades.

The specialties and grades where the Army is experiencing significant difficulty satisfying authorizations are shown at Table III.

Table I

MOS and title:
13F—Fire Support Specialist.
19E—M48-M60 Armor Crewman.
33S—Electronic Warfare (EW)/Intercept Systems Repairer.
54E—Nuclear, Biological, Chemical Specialist.
63T—Infantry Track Vehicle/Infantry Fighting Vehicle/Cavalry Fighting Vehicle Systems Mechanic.
96B—Intelligence Analyst
97B—Counterintelligence Agent.
98C—EW/Signal Intelligence Agent.
98G—EW/Signal Intelligence Voice Interceptor.
98J—EW/Signal Intelligence Non-communications Interceptor.

Table II

	Lt.	Cpt.	Maj.	LTC.	Col.	Total
Inventory	22,849	24,536	12,085	8,235	3,413	71,118
Authorization [1]	18,755	25,381	15,421	9,399	3,274	72,230
Total	+4,094	−845	−3,336	−1,164	+139	−1,112

[1] Includes the individuals account training, transient, holding, students.

Table III

Specialty code and title:	*Grade* [1]
15—Aviation	03
21—Engineer	06, 05, 04
22—Topographic Engineer	All
25—Communications-Electronics	05
27—Communications-Electronics Engineer	05
37—Signal Intelligence-Electronic Warfare	06, 05
72—Communications-Electronics Materiel Managment	06, 05
73—Missile Material Management	06, 05

74—Chemical 05, 04

[1] Although most specialties experience fill difficulties at the grade of Major, the reason is largely attributable to authorizations in excess of DOPMA.

NAVY

Admiral Herberger. Navy presently has several enlisted ratings where significant numbers of personnel are needed to fill existing billets. Shortages such as these are most serious when they impact on warfare essential ratings as opposed to noncombat skills. Navy's most serious shortages exist in ratings which are at least 10 percent undermanned with respect to billets authorized and which most directly affect the ability of Navy ships and squadrons to perform their missions. These ratings are: Aviation Bostswain's Mate (ABE), Anti-Submarine Warfare Technician (AX), Aviation Maintenance Administrationman (AZ), Boatswain's Mate (BM), Electronics Warfare Technician (EW), Fire Control Technician, Guns (FTG), Fire Control Technician Missile (FTM), Gunner's Mate, Guns (GMG), Internal Communications Electrician (IC), and Sonar Technician, Surface (STG).

The distribution of manpower shortages varies with each particular rating. The majority of the aforementioned skills are in need of personnel throughout all junior and mid-level paygrades. The AX, FTG, IC, and STG ratings, however, are able to recruit most of the numbers required to fill junior billets. Poor first term retention in these skills causes mid-level petty officer shortages.

The compensation actions most effectively targetable at specific shortage skills are the Enlistment Bonus (EB) and Selective Reenlistment Bonus (SRB) Programs. Increasing the size of each bonus available to members in these skills would certainly aid in recruiting and reenlistment. Experience has shown that different ratings have different sensitivity to a given amount of bonus, due primarily to competition from the private sector for the use of each skill. Skills for which competition is keen are relatively unresponsive to any but the highest bonus awards.

For the greatest recruitment and reenlistment effect, the maximum limit for SRB of $20,000 and for EB of $5,000 is required. Based on current levels of payment if all fiscal year 1983 "A" school graduates into these ten ratings were paid EB, the additional cost to the EB program would be approximately $12.6 million above the fiscal year 1984 budget request of $16.5 million. Eight of the ten skills currently receive some level of SRB. With bonus levels raised to the upper limit in zones A and B, the SRB program would require $6.7 million above the fiscal year 1984 budget request of $186.3 million for new payments.

In the Officer Corps the most serious skill shortages exist in the aviation and nuclear communities. In the Aviation community the Navy still experiences a shortage of 1172 mid-grade (03–05) aviators. The additional retention realized with continuation of aviation bonus authority is a critical factor in reducing deficit. With continuation of the aviation bonus, Navy projects elimination of the aviator shortfall by fiscal year 1988. The cost of continuing the Aviation bonus would be $38.8 million in fiscal year 1984, $31.3 million in fiscal year 1985 and $146.9 million total for fiscal years 1984–88.

In the nuclear community the Navy experiences a severe shortage of 496 (04–05) submarine officers, which mandates down detailing of 06–'s-creating a net 0–6 shortage. The combined shortage of nuclear qualified submarine 04/05/06's is projected to increase throughout this decade. Shortfalls of 415 in fiscal year 1983, 538 in fiscal year 1986 and 555 in fiscal year 1989 are expected due to the past history of low continuation rates at these grades.

In fiscal year 1983, nuclear qualified surface officer inventory is short of requirements by 38 0–5's (49 percent and 43 0–4's (38 percent). To alleviate the 0–5 shortfall, some of 0–4's are assigned to 0–5 billets and shore tours are eliminated for others.

In order to reduce these shortages, we are examining proposed legislation to modify Nuclear Officer Incentive Pay and Submarine Duty Incentive Pay. The proposed modification of Nuclear Officer Incentive Pay would provide for repetitive payments of the continuation bonus ($28,000) for successive four-year periods of service obligation through 14 years of service; provide the option of receiving the continuation bonus as a lump-sum payment of $28,000 at the beginning of the initial period; provide for incremental reduction in the amount of annual incentive bonus received after 18 years and remove the 25-year limit for receipt of the annual incentive bonus for the few officers that qualify.

The proposed modification of Submarine Duty Incentive Pay includes compensation for the loss of economic advantage and restructuring to eliminate reduction in pay as experience and responsibility increases.

The estimated first-year cost of modifying the method of payment of the Nuclear Officer Incentive Pay is $7.2 million in addition to the fiscal year 1984 budget submit of $13.3 million. Most of this amount would be paid to those officers expected to choose a lump-sum payment in return for a four-year obligation. Thus annual costs for these same payments in future years will be $1.6 million. The cost of modifying the Submarine Duty Incentive Pay would be a total increase of $13.4 million above the fiscal year 1984 budget submit of $18.3 million.

MARINE CORPS

General **Lukeman**. The Marine Corps' most serious skill shortages in our enlisted ranks occur in the following occupational fields:

Occupational field, and enlisted grades experiencing shortage:

Signals Intelligence/Ground Electronic Warfare—Senior NCO's
Nuclear, Biological, Chemical—Junior enlisteds, junior NCO's
Electronic Maintenance—Junior enlisteds, senior NCO's
Avionics—Junior enlisteds
Aviation Ordnance—Junior enlisteds
Air Control/Air Support/Anti-air Warfare—Junior NCO's senior NCO's
Air Traffic Controller Enlisted Flight Crews—Junior enlisteds, junior NCO's.

The most effective compensation actions available to attract high quality enlistees to short fields are enlistment bonuses. The single most effective tool for encouraging experienced Marines to enter or remain in critical fields is the Selective Reenlistment Bonus. Of course, both bonuses will be effective only if accompanied by a pay system that is comparable with that in the civilian sector.

While the Marine Corps is presently short 308 company grade aviators, the cause of the shortages has more to do with the rate of training than with compensation. Compensation programs such as Aviation Career Incentive Pay and Aviation Officer Continuation Pay are considered sufficient to encourage retention of company grade aviators. Shortages in the senior officer grades, particularly in the grade of major and lieutenant colonels, exist in the intelligence, logistics, electronics maintenance, and aircraft maintenance fields. The primary cause of the shortage is the restriction of the number of field grade officers directed by DOPMA. The Marine Corps simply lacks the authority to promote sufficient qualified officers to the grade of major.

AIR FORCE

General **Peek**. The following are the Air Force's worst manned NCO skills:

AFSC and title:

205X0—Electronic Intel Ops Specialist.
321X0K—Bomb-Nav Systems Specialist (B–52E/F/G/H).
328X3—Electronic Warfare Systems Specialist.
326X8X—Integrated Avionics Comm, Nav & Penetration—Aids Specialist.
322X2A—Avionic Sensor Systems Specialist (Recon Elec Sensors).
201X1—Target Intelligence Specialist.
328X0—Avionic Communications Specialist.
326X6X—Integrated Avionics Attack Control Systems Specialist.
423X3—Aircraft Fuel Systems Specialist.
326X7X—Integrated Avionics Instruments and Flight Control Systems Specialist.

The criterion used to select the above skills was NCO assigned strength as a percentage of NCO authorizations, not the absolute size of the shortage. "NCO" was restricted to grades E–5 through E–7, and only skills critical to primary Air Force missions were considered.

The Air Force generally does not have a problem with shortages of junior enlisted personnel. Given accurate projections of future requirements and strength losses, it is generally possible to recruit and train sufficient number of new, inexperienced personnel in a skill, and thereby maintain or improve that skill's overall manning statistics. In those few skills requiring a special incentive to insure adequate recruiting and training production, the enlistment bonus has been effective. It is quite another matter to increase the number of experienced NCOs in a skill. To reduce NCO shortages the Air Force continually evaluates the Selective Reenlistment Bonus (SRB) program and offers bonuses where appropriate. Other initiatives to fill NCO shortages include: recruiting fully qualified prior service personnel; recalling retirees; focusing retraining into shortage skills; returning previously qualified specialists to shortage skills; permitting shortage skills members to remain on active duty beyond their high year of tenure; and increasing promotion opportunities to members in CCS skills.

Officer skill shortages continue in the middle grade/management areas of pilots, navigators, engineers, and physicians. Rated shortages have been decreasing in part due to the increase in Aviation Career Incentive Pay in fiscal year 1981 and 1982. Likewise, the engineer deficit has been reduced through specialized recruiting/education programs and the recently implemented Engineer Bonus Program. Most of the Physician shortages are in the surgical specialties i.e., orthopedic, urology, E.N.T., O.B.GYN, ophthalmology and general. Surgical manning is now improving due to the effects of new accession programs, internal Air Force retention programs and improved medical special pay.

We will continue to seek ways to solve officer and enlisted shortages. Unless, however, we maintain credibility with out people by providing stable and comparable military pay, we can expect serious shortfalls in meeting our needs for high-quality, highly trained manpower as the economy continues to improve and the draw from the private sector increases. This decline in quality will prove costly in terms of increased attrition, training costs, disciplinary problems and readiness.

SKILL SHORTAGE

Senator COHEN. As a member of the Select Committee on Intelligence I am concerned about possible problems in terms of linguists, cryptographers and other intelligence-related specialties. What problems exist in these areas and, in light of deficiencies in languages training in our nation's education system, can they be addressed effectively through compensation means?

ARMY

General MITCHELL. We recognize the Army shortages in critical intelligence skills. Our recruiting and retention policies are helping us make progress in this area. There are several compensation related initiatives underway to enhance our linguist and intelligence specialties. First, we have targeted our enlistment bonuses in this area to assist our accession efforts. Second, we continually review current and projected manning levels to identify those skills which need a monetary incentive through the Selective Reenlistment Bonus (SRB) program. At this time, we are paying high SRB levels to our intelligence specialties. Our proposed fiscal year 1984 SRB request of $136.7 million includes funds needed to support projected manning requirements in these skills. In addition, we considered an incentive pay for service members with linguist skills assigned to intelligence military occupational specialties during the development of the overall Army program. However, when considered within the context of fiscal constraints and other higher priority programs, special pay for linguists could not be supported for inclusion in this budget. The earliest year that the program could be funded within fiscal guidance is fiscal year 1987. The program calls for a monthly pay to soldiers serving in intelligence and other career fields requiring linguist skills in the performance of their duties. The pay would be tied to new diagnostic tests being prepared by the Defense Language Institute Foreign Language Center.

NAVY

Admiral HERBERGER. All Navy Cryptologic Technician ratings including linguists, special intelligence communicators, analysts and equipment maintainers and the Navy Intelligence Specialist rating have shown steady improvement in manning during fiscal year 1982–83. As recruiting of linguists improves, Navy will access and train adequate personnel to meet growing intelligence related requirements.

Concerning linguists, Navy provides language training to all Cryptologic Technician Interpretive (CTI) recruits, regardless of high school or college language training, because we require a higher degree of foreign language ability than can be developed in the civilian curriculum.

Recruiting of Navy linguists continues to fall short of requirements despite an Enlistment Bonus (EB) in exchange for an extra year of obligated service. Continued strong support for the EB program is required; however, no increase in the amount of EB paid to intelligence-related skills is recommended at present. The current EB budget for these skills is $900 thousand. Selective Reenlistment Bonuses (SRB) for intelligence community ratings appear to be effective at current award levels which are budgeted at $2.4 million annually.

MARINE CORPS

General LUKEMAN. The Marine Corps is critically short in linguists and cryptographic specialists. Very few students seriously study Chinese, Korean, Russian, Spanish, Arabic, and subsequently enlist in the Marine Corps. A Marine in the cryptographic Military Occupational Speciality (MOS) is required to speak, read, write, and translate his language. Personnel in these skills also require a top secret clearance. Foreign nationals might seem to be an excellent source, but aliens are prohibited from obtaining a top secret clearance. The Marine Corps screens potential candidates for this occupational field during recruit training.

The fiscal year 1983 reenlistment rates for the intelligence and cryptographic fields are listed below. These reenlistment rates are far above the average and are greatly influenced by the Selective Reenlistment Bonus Program.

	First termers (percent) (3-6 years)	Intermediates (percent) (7-10 years)	Careerists (percent) (11-30 years)
Intelligence	76	83	81
Cryptology	46	85	77

The maximum SRB payment authorized for Marines is $16,000. If linguistic and cryptologic personnel were authorized a larger bonus some progress could probably be made in reducing critical shortages in these fields; however, the root of the problem is the extremely small number of U.S. citizens that possess the necessary foreign language skills.

AIR FORCE

General PEEK. In the past the Air Force has had problems attracting enlistees with the mental qualifications necessary to enter demanding technical training cources such as those for the intelligence specialties mentioned above. The current improved recruiting climate and the Enlistment Bonus have enabled the Air Force to meet its intelligence accession requirements in recent years. Retention in intelligence specialties has also been favorably influenced through the use of the Selective Reenlistment Bonus. Current compensation authorities are adequate for our accession and retention needs, however, they may not be sufficient if we do not maintain pay comparable to the private sector.

SKILL SHORTAGES

Senator COHEN. What would be the annual cost of taking the kinds of steps which you suggest in response to the two previous questions?

MARINE CORPS

General LUKEMAN. The most efficient method of addressing our skill shortages is to restore pay comparability and continue the special compensation programs that are currently in place. Our fiscal year 1984 budget includes funding requests in the following amounts:

	Million
Enlisted Bonus Program	$12.73
Selective Reenlistment Bonus Program	77.73
Aviation Career Incentive Pay	15.84
Aviation Officer Career Pay	12.35

Compensation measures should be evaluated in part by the costs they avoid. For example, a staff sergeant with nine years of service training as a F-4 Avionics Technician might reenlist in his MOS for four years to receive a bonus of $16,000. That money plus his annual pay and allowances would cost $35,616. Should that Marine not reenlist, the cost to replace him would exceed $200,000.

AIR FORCE

General PEEK. Assuming that retention is not significantly affected by the zero pay raise and an improved civilian economy, there should be no additional costs over what we have submitted in the Air Force Fiscal Year 1984 budget.

ENLISTMENT BONUS

Senator **Cohen**. What skill classifications now receive an enlistment bonus, and what percentage of recruits receiving the bonus are in Category I? In Category II?

ARMY

General **Mitchell**. During fiscal year 1982 5.2 percent of bonus takers were Test Score Category I and 38.1 percent were Category II. The Army currently offers enlistment bonuses in the following Military Occupational Specialties (MOS) or Career Management Fields (CMF):

MOS 05D—Electronic Warfare/Signal Intelligence Identifier Locator.
MOS 05G—Signal Security Specialist.
MOS 05H—Electronic Warfare/Signal Intelligence Interceptor—International Morse Code.
MOS 05K—Electronic Warfare/Signal Intelligence Non-Morse Interceptor.
CMF 11—Infantry.
MOS 12B—Combat Engineer.
MOS 12E—Atomic Demolition Specialist.
MOS 13B—Field Artillery Cannon Crewman.
MOS 13C—Tacfire Operations Specialist.
MOS 13E—Cannon Fire Direction Specialist.
MOS 13F—Fire Support Specialist.
MOS 13M—Miltiple Launched Rocket Crewmember.
MOS 13R—Field Artillery Fire Finder Radar Operator.
MOS 15D—Lance Crewmember.
MOS 15E—Pershing Missile Crewmember.
MOS 15J—Multiple Launched Rocket System; Lance Operations/Fire Direction Specialist.
MOS 16D—Hawk Missile Crewmember.
MOS 16E—Hawk Fire Control Crewmember.
MOS 16P—Air Defense Short Range Missile Crewman.
MOS 16R—Air Defense Short Range Gunnery Crewman.
MOS 16S—Manpads Crewman.
MOS 17K—Ground Surveillance Radar Crewmember.
CMF19—Armor.
MOS 21G—Pershing Electronic Materiel Specialist.
MOS 32D—Station Tech Controller.
MOS 43E—Parachute Rigger.
MOS 45N—M60 A1/A3 Turret Mechanic.
MOS 54E—Nuclear Biological Chemical Specialist.
MOS 55D—Explosive Ordnance Disposal Specialist.
MOS 63N—M60 A1/A3 Tank Systems Mechanic.
MOS 63T—ITV/IFV/CFV Systems Mechanic.
MOS 72E—Combat Tele-Communications Center Operator.
MOS 82B—Construction Surveyor.
MOS 82C—Field Artillery Surveyor.
MOS 96C—Interrogator.
MOS 98C—Electronic Warfare/Signal Intelligence Analyst.
MOS 98G—Electronic Warfare/Signal Intelligence Voice Interceptor.
MOS 98J—Electronic Warfare/Signal Intelligence NC Interceptor.

NAVY

Admiral **Herberger**. An enlistment bonus (EB) is currently authorized for enlistments in fifteen skills. Due to a Congressionally directed EB budget ceiling of $10.4 million, Navy's EB program for fiscal year 1983 was terminated on 1 December 1982. This prevented the bonus recruitment in seven skills which were scheduled to become EB eligible on 1 January 1983. I am providing a table for inserting in the record which reflects the EB eligible skills and the percent of recruits in mental categories I and II.

Skill	Category I (percent)	Category II (percent)
Nuclear Field	22	75
Boiler Technician (Advanced Technical Field)	0	13
Cryptologic Technician (Interpretive)	18	72

Skill	Category I (percent)	Category II (percent)
Gunner's Mate (Technician)	0	45
Crytologic Technicial (Collection/Technician)	0	45
Gunner's Mate (Guns/Missiles)	0	45
Mess Management Specialist	0	13
Signalman	0	42
Cryptologic Technician (Communications)	(1)	(1)
Fire Control Technicial (Guns/Missiles) (Advanced Technical Field)	(1)	(1)
Gas Turbine Systems Technician (Electrical) (Advanced Technical Field)	(1)	(1)
Instrumentman	(1)	(1)
Opticalman	(1)	(1)
Radioman (Advanced Technical Field)	(1)	(1)
Storekeeper	(1)	(1)

[1] None accessed with EB.

MARINE CORPS

General LUKEMAN. The specific skill classification presently receiving an enlistment bonus are as follows: personnel clerk, intelligence specialists, riflemen, mortarmen, anti-tank/assaultmen, map compilers, tank/amphibian crewmen, construction surveyors, microwave equipment operators, cryptologic linguists, NBC specialists, weather observers, and air traffic controllers. Additionally, a small percentage of individuals within the following occupational fields are eligible for a bonus: data/communications and electronics maintenance, avionics, aviation ordnance, and air control/air support/anti-air warfare. Of the recruits receiving an enlistment bonus, 5 percent are in Mental Category I and 50 percent are in Mental Category II.

AIR FORCE

General PEEK. Specialties currently authorized the Enlistment Bonus are: Morse Systems (Air Force specialty Code (AFSC) 207X1), Printer Systems (AFSC 207X2), Crypto-Linguists (AFSC 208XX), and Explosive Ordnance Disposal (AFSC 464X0). The following is the Mental Category I and II breakout of Fiscal Year 1982 enlistees.

AFSC	Mental category	Percent
207XX [1]	I	1
	II	21
208XX	I	15
	II	40
464X0	I	2
	II	27

[1] Combined Mental Category data for both 207X1 and 207X2. Separate data not available.

PAY TARGETING

Senator COHEN. In posture hearings held earlier by the Armed Services Committee, all the services are on record in support of a targeted pay raise. Do you support this position, and how would you target a pay increase if you were this committee?

ARMY

General MITCHELL. I agree with the position taken by Lieutenant General Thurman during the 10 March hearing. Further, I would target the increase the same way (recall that response was limited by the assumption of a four percent adjustment).

	Percent
E1/E2	0
E3	4
E4	4.5

	Percent
E5/E6	5.5
E7	4.5
E8/E9	4
W1/W2	4
W3/W4	5
01/010	4

NAVY

Admiral **Herberger**. If a pay raise were to be enacted, the foremost consideration should be the retention of our mid-grade careerists. The raise should be targeted to our career enlisted and mid-grade officer personnel. By targeting petty officers it would create a new incentive to advance for our junior enlisted. Targeting in this manner would send a positive signal of support from the Congress to our career personnel.

MARINE CORPS

General **Lukeman**. Should Congress choose to authorize a pay raise this year that is only 4 percent, the Marine Corps would favor an approach that would target the increase toward the career force, officer, and enlisted, similar to the targeted pay raise introduced by Senators Tower and Jepsen. I believe that this method of targeting would optimize the use of limited pay raise dollars while minimizing the impact of the cap on our career force. It would help retain trained, experienced Marines while providing an incentive for younger Marines to work toward promotion. Additionally, shortages that might occur in the lower pay grades, because of the further loss of pay comparability, could be more easily corrected than career force shortages.

AIR FORCE

General **Peek**. We believe military pay raises should be applied across-the-board. However, as an exception to policy, the Air Force could support targeting if the Congress chooses to pass a fiscal year 1984 military pay raise.

By targeting we mean that in the interest of economy, we could support withholding a pay raise for E–1's and E–2's. For example, if the Congress decides on a 4 percent pay raise on 1 October 83, we could go along with no pay increase for E–1's, and E–2's and possibly O–1's and an across-the-board 4 percent increase for all others. We would not support paying a higher than 4 percent pay raise to one pay grade at the expense of another.

To be able to recruit and retain a quality military force, experience has shown that we need to provide our people levels of pay which are reasonable comparable to those available in the private sector. As the economy improves, this will become even more evident since our force is building at the same time the pool of 18 year olds is decreasing.

QUALITY STANDARDS

Senator **Cohen**. From your experience, having served during the second half of the 1970's—a period of great difficulty for our armed forces which resulted, at least in part, from cutbacks in compensation and the end of the GI Bill—do you feel we could fall into some of the same problems again if we do not keep pay comparable and if we begin looking for sharp economies in the manpower account? Could your service meet the congressionally-mandated quality standards in the face of compensation reductions and improvements in the national economy?

ARMY

General **Mitchell**. The manpower account is the resource nucleus of the Army's manning effort. Any decrement would seriously hamper manning due to the inability to provide adequate compensation to attract and retain high quality soldiers. The immediate effect of manpower account reductions would be increased losses to the force of career noncommissioned and commissioned officers. As Secretary Marsh said in testimony to the Senate Armed Services Committee on February 25, 1983, the precise impact of the proposed pay freeze for fiscal year 1984 is unpredictable. However, our studies reveal we may expect a 5 to 8 percent decrease in high-quality careerist reenlistments. This migration out of the force would cause a corresponding increase in the number of first-term accessories required each year. Coupled with the declining youth market this would mean the Army would have to lower its quality requirements and access a larger percentage of youth who do not score well on the Armed Service Vocational Aptitude Battery. Lower-quality non-high school graduates will cuase an increase in first-term accessions through increased attrition, and promote more rapid turnover, thereby decreasing stability and cohesiveness. Additionally, if these lower-quality individuals are enlisted, the Army will face a degradation of its noncommissioned officer corps in the 1980's and have a correspondingly difficult time modernizing the force with high-technology equipment.

Looking to the future, the Army should be able to recruit and retain sufficient volunteers to man the force if we continue to receive the support of Congress and the American people. Examples of this support include continued pay comparability, requested recruiting and retention funds, maintenance of an educational incentive such as the Army College Fund, and the quality-of-life improvements needed to allow the Army to remain competitive with the civilian sector.

NAVY

Admiral **Herberger**. The major difference in our retention climate between the late 1970's and the present is high unemployment. The effect of high unemployment is to artificially inflate retention and recruiting success above levels achievable under a strong economy with low unemployment. We believe that the present compensation package along with positive leadership and management actions taken by Navy will carry us through fiscal year 1984. However, a catch-up pay raise must be made in fiscal year 1985 if we are to avoid a return to lower retention and resultant increase in our petty officer shortfall. We project that mandate quality standards will be achieved through fiscal year 1984. However, fiscal year 1985 will be a problem without a competitive compensation package if unemployment drops to the 7.7 to 9.0 percent range projected by the Congressional Budget Office. Of growing concern is the significant negative impact on retention of changes to the retirement system if the unemployment picture improves.

MARINE CORPS

General **Lukeman**. During the late 1970's the Marine Corps, as well as the other services suffered in quality. For example, during fiscal year 1974 through fiscal year 1976 less than 60 percent of our enlistees were high school graduates, and in fiscal year 1978 and fiscal year 1979 over 29 percent of our enlistees were Mental Group IV's. Strong measures taken by the Marine Corps cured these quality problems. The Marine Corps was able to achieve both quality and quantity in recent years partly because of the increased compensation benefits enacted by the 96th and 97th Congress.

It is doubtful if the Marine Corps could long maintain Congressional-mandated quality standards of its enlistees, in the numbers required to support our structure, in the face of compensation reductions, an improved economy, and a declining population of qualified military applicants. A more serious problem with compensation cut-backs would be their effect on the career force. Career Marines need a sense of confidence that someone is watching out for their needs and that the personal and family sacrifices inherent in a military career will not include continuous financial sacrifices because of non-compeititive compensation. Marines, and all military people, must be compensated at a rate that avoids the immensely expensive loss of experienced people that historically occurs when military compensation is permitted to fall behind that of the private sector.

AIR FORCE

General **Peek**. I'm concerned that failure to maintain comparable pay levels or pressure to find sharp economics in the manpower account could result in another downward spiral similar to what the Services experiences in the 1970's and which created a near disaster for military readiness. Had the current comparability based system been allowed to work as intended during the 1970's we would not have suffered the alarming exodus of experienced careerists or recruiting shortfalls that we did.

As you may recall a pay cap was imposed in 1975, followed by subsequent pay caps (1978 and 1979). As a result, in 1979, all Services failed to meet their recruiting goals, including the Air Force for the first time in the history of the AVF. More importantly, all Services suffered alarming losses of experienced careerists including pilots, engineering and enlisted personnel in critical skills. The effects of the collapse in retention rates in the 1970s were buffered by the programmed reduction in end strength and the large reservoir of experienced officers and airmen left over from the Vietnam War; for example; our pilot manning exceeded requirements by more than 3,000 and there were no enlisted shortages. Therefore, while the retention decline of the late 1970s hurt us severely, we were able to avoid readiness degradations by prioritizing our missions and ensuring our fighting units were manned with adequate experience levels.

Today, we are faced with similar economic conditions—high unemployment, little or no airline hiring, falling inflation, and military pay capped below comparability. Pressure is once again strong to trim the DOD budget, and there appears to be the same false sense of security we witnessed in 1975.

However, we don't have the cushion that we had in 1975. Our experience base is substantially smaller; we are still suffering from critical shortages of pilots (925), navigators (475), engineers (850) and NCOs in chronic critical skills (7,000); and the pool of 18 year olds is declining. If pay remains capped below reasonable comparability we will not be able to absorb the impacts without degradation in readiness.

We do not anticipate any difficulties meeting Congressionally-mandated quality constraints in the short-term provided we are appropriated adequate recruiting resources. However, unless we maintain credibility with our people by providing stable and reasonable comparable military pay, we can expect serious shortfalls in meeting our needs for high-quality, highly-trained manpower as the economy continues to improve and the draw from the private sector increases. This decline in quality will prove costly in terms of increased attrition, training costs, disciplinary problems and readiness.

NONCOMMISSIONED OFFICER COST

Senator Cohen. The Navy has said that it estimates the cost of replacing a Petty Officer at about $38,000. What is your Service's estimate of the cost of replacing a non-commissioned officer?

ARMY

General Mitchell. The cost of replacing a non-commissioned officer varies from an average of $49,000 to as high as $227,000 for select occupational specialities. These costs are based on the total number of soldiers who would have to be recruited and trained in order to retain one soldier beyond his initial reenlistment point.

MARINE CORPS

General Lukeman. The cost of replacing a noncommissioned officer will vary depending on grade, years of service, and Military Occupational Speciality (MOS). On one hand the cost of replacing a sergeant 0369 (infantry) with five years of service is $83,281. On the other hand it would cost $201,326 to replace a staff sergeant 6334 (F-4 Avionics Technician) with nine years service. These figures include only the costs of training, bonuses, and basic military compensation. No attrition costs incurred while maturing these Marines are included.

AIR FORCE

General Peek. The Air Force cost to replace a junior noncommissioned officer is $22,000. To replace a more senior noncommissioned officer would be much more expensive due to the level of experience. The $22,000 cost includes recruiting, initial clothing, basic military training, initial skill training and skill progression training. However, this cost does not include the impact of an individual not reenlisting. Based on fiscal year 1982 first term reenlistment rates, the cost would be $32,000.

Senator Cohen. Mr. Hale, could you please provide for the record projections under tables 1 and 2 for the targeted pay raise proposal which I have introduced?

Mr. Hale. The two attached tables provide the requested results.

PROJECTIONS OF MALE NON-PRIOR SERVICE ACCESSIONS WITH HIGH SCHOOL DIPLOMAS

[By fiscal year, in percent]

	1984	1985	1986	1987	1988	1988 [1]
Cohen: [1]						
Army	90	75	72	68	65	60
Navy	87	81	80	79	69	62
Air Force	87	87	87	87	87	80

PROJECTIONS OF MALE NON-PRIOR SERVICE ACCESSIONS WITH HIGH SCHOOL DIPLOMAS—Continued

[By fiscal year, in percent]

	1984	1985	1986	1987	1988	1988 [1]
Marine Corps	84	83	79	76	78	72

[1] This option assumes the followng. Pay raises beginning in October 1983: 2 percent for pay grade E-4, 5 percent for E-5, 4 percent for E-6, 3 percent for E-7, E-8, and E-9, and zero otherwise.

PROJECTED NUMBER OF ENLISTED PERSONNEL IN THE CAREER FORCE (YOS 5 TO 30)

[By fiscal year, in thousands]

	1984	1985	1986	1987	1988	1988 [1]
Cohen: [1]						
Army	324.5	326.5	325.9	325.4	323.2	310.8
Navy	236.0	247.9	253.4	259.8	263.8	257.4
Air Force	278.6	294.6	303.5	307.6	315.9	307.1
Marine Corps	64.6	67.2	68.8	69.7	71.0	69.3
DoD	903.7	936.2	951.6	962.5	973.9	944.6

[1] This option assumes the followng. Pay raises beginning in October 1983: 2 percent for pay grade E-4, 5 percent for E-5, 4 percent for E-6, 3 percent for E-7, E-8, and E-9, and zero otherwise.

QUESTIONS SUBMITTED BY SENATOR J. JAMES EXON

FISCAL YEAR 1984 PAY RAISE

Senator Exon. Dr. Korb, if there is a military pay raise in fiscal year 1984, should this pay raise be targeted or across-the-board?

In your opinion what are the consequences of a policy that targets the fiscal year 1984 pay raise away from junior enlisted pay?

Dr. Korb. The decision to target or not to target depends upon a number of considerations, such as the size of the raise, the recruiting and retention situation, the need to correct payline imbalances, etc. The smaller the raise, the less flexibility there is to target it so as to have a meaningful impact on the pay of any particular pay grade. Therefore, if the raise is relatively small, such as the 4 percent that is under consideration in the Congress, we would probably advocate little, if any, targeting. However, in order not to prejudge, we must evaluate the total environment in which the decision will be made before making a final judgment. As to the consequences of targeting away from junior enlisted pay (E-1 and E-2), we would expect some marginal impact on recruiting.

Senator Exon. Dr. Korb, does the Defense Department support reinstitution of the Aviation Officer Continuation Pay in the Navy and Marine Corps?

If this special pay is reauthorized how would the Defense Department like to see it structured? For example, do you think that a bonus should be paid for a 6 year commitment as was suggested last year?

Dr. Korb. Yes, the Department of Defense does support reinstitution of the Aviation Officer Continuation Pay program in both the Navy and the Marine Corps. We believe the pay should be structured in a manner similar to Senate version of the Uniform Services' Pay Act fiscal year 1982. It should be offered only to those with between six and ten years of service. A bonus of four thousand per year would be offered for a three year commitment, a bonus of six thousand per year would be offered for a four year commitment and, if the aviator who is at the end of his minimum service requirement agrees to a commitment of six years, a bonus of six thousand per year would be offered. The bonus would be offered to both pilots and flight officers, and no one could obtain a repeat bonus.

AVIATION OFFICER CONTINUATION PAY (AOCP)

Senator Exon. Admiral Herberger, as you know, because the 1982 pay bill was not passed last year, Aviation Officer Continuation Pay was not authorized in fiscal year 1983.

The fiscal year 1984 Defense Manpower Requirements Report shows a 49 percent retention rate for Navy pilots in fiscal year 1982 when AOCP was paid, and a 56 percent retention rate for Navy pilots in fiscal year 1983 when the bonus was not paid.

In other words, retention this year without the bonus is projected to be higher than last year when the bonus was paid.

Does the Navy really need to have this bonus reauthorized for fiscal year 1984.

Admiral Herberger. Navy has not experienced a decline in pilot retention since the expiration of the aviation bonus 30 September 1982 because no signal has been sent to the fleet indicating that there will not be a bonus for fiscal year 1983/84. The perception among aviators in the fleet is that authority for bonus payments is temporarily suspended but will be regained. Aviators eligible for the bonus in fiscal year 1983 have just entered the eligibility window, the 6th year of service, and will not lose any eligibility as a result of delayed bonus authority. The impact on aviation retention will occur, if and when the bonus authority is not authorized instead of delayed in fiscal year 1983/84.

2069 aviators (1,405 pilots/664 NFOs) will enter bonus eligibility in fiscal year 1983/84. Termination of the bonus program is projected to result in the loss of 193 aviators (127 pilots/66 NFOs) above that forecast with continued bonus authority. Continuation of ACCP authority is required if Navy is to recover from its mid-grade (O3–O5) shortage of 1,172 aviators by fiscal year 1988.

Senator Exon. Admiral Herberger, the fiscal year 1984 Defense Manpower Requirements Report states that the Navy's pilot retention goal is 55 percent.

In fiscal year 1983, the retention rate for Navy pilots is 56 percent.

If Congress reauthorizes this discretionary bonus, would you pay it to all aviators even though the current retention rate for pilots is above the goals you have set to maintain the pilot force?

Admiral Herberger. Navy's pilot retention has improved steadily since the aviation bonus was implemented in fiscal year 1981. The Unrestricted Line Officer retention rates for the fiscal years 1980 through 1983, presented in the 1984 Defense Manpower Requirements Report, documented these retention gains (the fiscal year 1983 figure is forecast retention which is currently projected at 57 percent for Navy pilots). It is important to note that the steady-state goal of 55 percent was footnoted as the retention rate required once inventory is filled. As successful as the aviation bonus has been, Navy still experiences a shortage of 1,172 midgrade (03–05) aviators. The additional retention realized with continuation of bonus authority for both pilots and NFOs is a critical factor in reducing this deficit. With continuation of the aviation bonus, Navy projects elimination of the aviator shortfall by fiscal year 1988 at which time a steady-state retention rate of 55 percent will be required to maintain that inventory.

EMPLOYMENT COST INDEX (ECI)

Senator Exon. Dr. Korb, how have the changes in the Employment Cost Index (ECI) compared to the changes in the Professional, Administrative, Technical and Clerical Index since the ECI began?

Dr. Korb. The first full year increase in the ECI, analogous to the March-to-March measurement period of the PATC, was in 1977. A comparison of increases in ECI and PATC from 1977 to 1982 is as follows:

Year	Percentage increase	PATC
1977	6.8	6.9
1978	7.5	7.9
1979	7.8	7.8
1980	9.1	9.1
1981	9.3	9.7
1982	8.1	9.5

Senator Exon. Dr. Korb, the General Accounting Office believes that, if you link military pay to the ECI, the comparison should be based on all elements of military pay, not just basic pay, basic allowance for quarters, and basic allowance for subsistence.

What is your opinion of the GAO's suggestion?

Dr. Korb. I disagree with the GAO. We believe that the base levels of military compensation—basic pay, basic allowance for quarters, and basic allowance for subsistence—should be adjusted for all military personnel to generally parallel wage increases in the civilian sector. Changes to other components of the military compensation system should be based on different criteria. For example, bonuses should be used to respond to market supply/demand conditions, and the Variable Housing Allowance (VHA) should be based on housing costs.

Senator **Exon**. Dr. Coffey, your statement appears to favor foregoing an across-the-board military pay freeze this year, provided, as you say, "the necessary occupational differences are accommodated by targeted special pays."

In other words, you do not seem to even favor targeting by grade, you favor targeting by skill.

How exactly would you target by skill in fiscal year 1984?

Mr. **Coffey**. As you know, Senator Exon, we generally have not supported across-the-board raises in military pay, unless there are particular manpower management problems which can be cost-effectively addressed by giving everyone the same percentage pay raise. Two years ago this committee took the lead in targeting the pay raise by grade and longevity group—and indeed, that was a large step in the right direction and was helpful in alleviating some very pressing problems. The most critical manpower problem the services continue to face, however, is one of skill imbalances, with serious shortages in some occupations and at some skill levels, and concomitant overages in others. The efficient use of available compensation dollars—along with other management actions—can help correct the imbalance problems, and as we have testified before, we believe that targeting resources to the identifiable problem areas is more efficient and cost-effective than the shotgun approach.

You are correct that we favor foregoing an across-the-board military pay raise this year, because, as I said in my prepared statement, evidence indicates that the regular military compensation pay line is already generally competitive with private industry in many areas. Nonetheless, there are other areas, both occupational and at certain levels of experience, where pay is not competitive. These are the areas where the available money should be targeted. You asked how this should be done in fiscal year 1984. We believe that reasonably efficient mechanisms are already in place for targeting by skill. These are, for example, the selective enlistment and reenlistment bonus programs and other incentive pay programs, including the proficiency pay. While we have had some serious differences of opinion with the services over management issues, we are conceptually very supportive of the programs because they do direct the money to specific manpower problem areas. It is through these existing mechanisms that we would target any additional manpower dollars made available in fiscal year 1984.

Senator **Exon**. Dr. Coffey, you seem to have some differences of opinion with the Defense Department on their proposal to link military pay to changes in the Employment Cost Index.

Would you elaborate on your position on this issue?

Mr. **Coffey**. Yes, Senator Exon, we do have some differences of opinion with the Defense Department on how the Employment Cost Index—ECI—should be used to adjust military pay. When we last inquired, their proposal had not yet received formal OMB clearance, but as we understand DOD's proposal it would essentially do two things. First, it would sever the linkage between Federal white-collar pay raises and military pay raises—the linkage established by the Rivers' Amendment in 1967. We support this portion of the proposal. Second, the proposal would establish a direct, legislative linkage between the percentage change in the ECI and increases in basic pay, basic allowance for quarters and basic allowance for subsistence. In other words, if the ECI went up by 10 percentage points from March of one year to March of the next year, these three elements of military pay, plus the so-called drag-alongs, would automatically increase by a like percentage the following October, unless the President submitted an alternative pay plan.

Our differences of opinion with DOD have to do with the second part of their proposal—the automatic direct indexing of the full ECI increase to essentially only three components of the pay system. As I indicated in my prepared statement, we agree with the Department that as a guide to adjusting pay, the ECI more closely meets the needs of the military than other available indices such as PATC, Area Wage Surveys, and others. However, instead of directly linking only three elements of military pay (basic pay, BAQ and BAS) to the ECI, we have suggested that the total pay package should be brought into the equation, and, most importantly, that the ECI be used as a guide to judgment, not a substitute for it. Let me elaborate a bit on how this might work as a practical matter.

First, we fully agree with DOD and others on this committee that some sense of stability and predictability needs to be brought into the annual pay adjustment process. A direct legislative linkage of military pay with an acceptable index, such as the ECI, is certainly one way of doing this. On the other hand, we also believe that management flexibility and the ability to deal with compensation proposals on a comprehensive rather than a piecemeal basis are equally important, both from a congressional and executive perspective. While these two concepts—stability and flexibility—would seem to be in conflict with one another, we think that there is a way of structuring an annual adjustment mechanism to achieve both of these goals.

In this regard, it is important to point out that the ECI wage and salary index is a composite index which measures change in both straight-time earnings—which might be analogous to basic pay and allowances—and changes in production bonuses, incentive pays, commissions, and longevity-type increases—which might be analogous to the military's special and incentive pays and longevity increases. Also, the ECI is a composite of wage changes for many different occupational groupings, some of which have a higher and some a lower percentage change than the overall index. Therefore, we believe that it would be inappropriate to directly tie the full ECI change to only three components of military pay.

Instead, we believe that first, the projected ECI should be used as a budgetary guide for determining the overall size of the dollar increase in total compensation. Second, that a percentage of the ECI increase, say 70 or 75 percent of the increase, be linked directly to basic pay, BAQ, and BAS. This would provide the necessary stability and predictability. And third, that the difference between the overall dollar increase calculated in the first step, and the dollar amount resulting from the second step, be used as needed and deemed appropriate by the Congress for targeted adjustments. It would be this pool of resources that would be used, for example, to increase the bonus budget, to increase the variable housing allowance budget, or to provide additional percentage pay increases for particular grade or year of service groups where there are manpower problems which could be solved by an additional allocation. It is this third step that we believe would provide management flexibility as well as tie together in a single package all the various compensation-related proposals the committee has heretofore had to deal with on a piecemeal basis.

Senator EXON. Mr. Hale, your statement indicates that with no pay raise in fiscal year 1984 and even with the Tower-Jepsen pay raise in fiscal year 1984, that you do not believe the Army will be able to meet the 65-percent high school graduate requirement for new recruits by 1988.

What is the reason for this?

Mr. HALE. CBO assumes that the Army increases in size, in accordance with current Administration plans, and that the economy improves. CBO also assumes that other factors important to recruiting—such as the numbers of recruits who have prior military service—continue at levels planned for 1984. These trends and assumptions largely explain our estimate that the percentage of high school diploma graduates among male Army recruits without prior military service will decline from 88 percent in 1984 to 64 percent by 1988. In light of the major uncertainties in any projection for 1988, however, great significance should not be placed on being one percent less than the legal requirement that 65 percent of male recruits hold high school diplomas.

Senator EXON. What does this conclusion say about a policy of targeting pay raises away from the junior enlisted ranks?

Mr. HALE. Targeting pay raises away from junior enlisted personnel will, if nothing else changes, clearly hamper recruiting. If, as a result of targeting, unacceptable recruiting trends are detected, the Congress would have to consider raising recruit pay or possibly increasing special incentives—like enlistment bonuses—to those recruits who are most difficult to attract into the military.

Senator JEPSEN. The subcommittee stands adjourned.

[Whereupon, at 3:28 p.m. the subcommittee adjourned, to reconvene subject to the call of the Chair.]

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